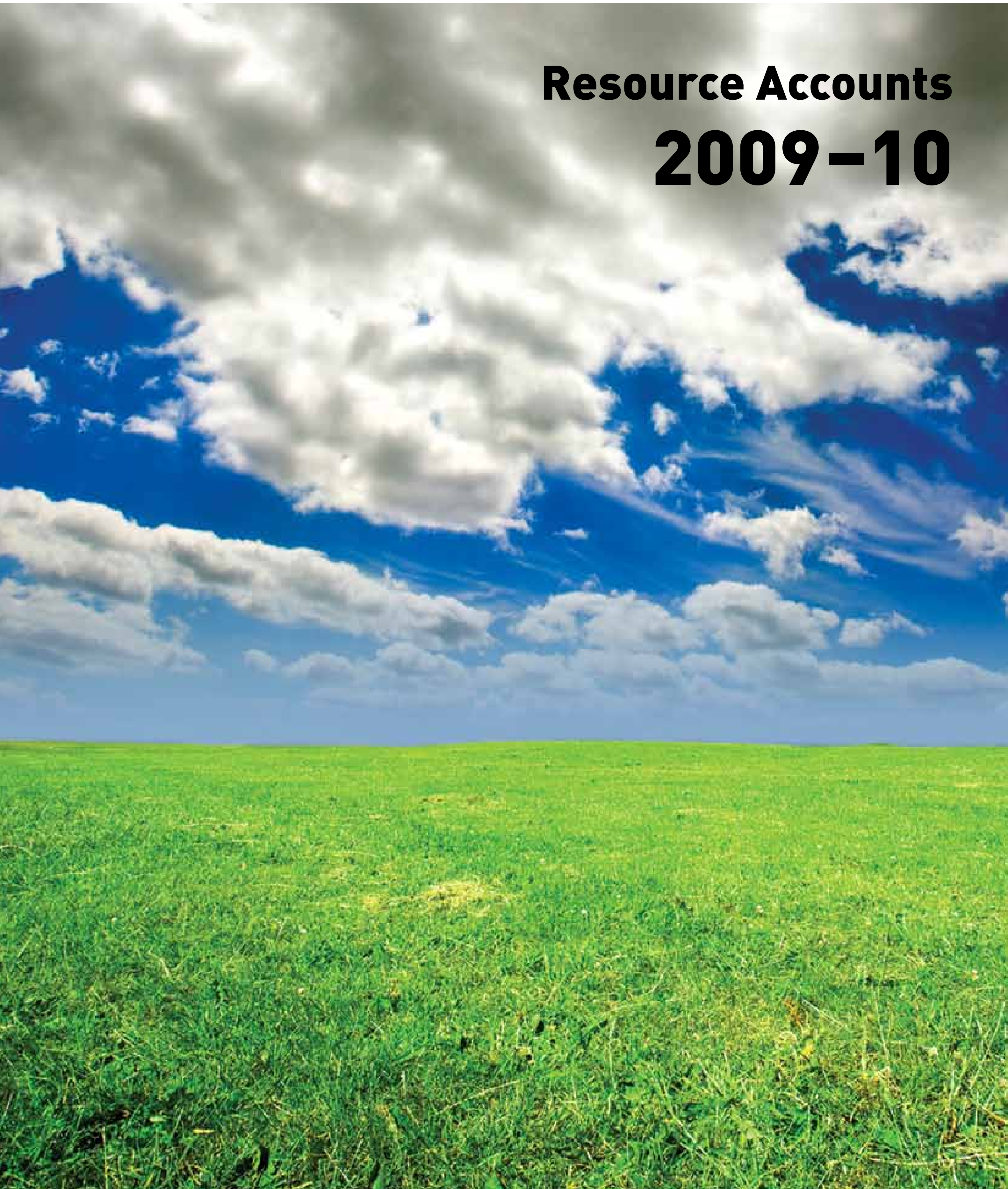
DEPARTMENT OF
ENERGY
& CLIMATE CHANGE

Resource Accounts
2009–10



Department of Energy and Climate Change

Resource Accounts 2009–10

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Contents

Chapter 1

The Department

The Department of Energy and Climate Change (DECC)

1.1 DECC was created in 2008 to bring together climate change and energy policy in one department. Previously, energy policy was coordinated within the former Department for Business, Enterprise and Regulatory Reform (BERR) and climate change policy within the Department for Environment, Food and Rural Affairs (Defra).

1.2 Climate change is not only a massive threat to the environment but also one of the greatest economic challenges facing us in the 21st century. It demands a global response. At the same time, the UK needs to secure clean, safe, affordable energy to heat and power its homes and businesses. Creating a low-carbon and resource efficient world means making major structural changes to the way we work and live, including how we source, manage and use our energy.

DECC exists to take the lead in tackling these challenges.

Structure and ministerial responsibilities

1.3 The Secretary of State for Energy and Climate Change is the Rt Hon Chris Huhne MP and the Ministers of State are Gregory Barker MP and Charles Hendry MP. The Parliamentary Under-Secretary of State is Lord Marland of Odstock.

Ministers			
			
Chris Huhne Secretary of State for Energy and Climate Change	**Gregory Barker** Minister of State	**Charles Hendry** Minister of State	**Lord Marland** Parliamentary Under-Secretary of State

1.4 During 2009–10, the Secretary of State for Energy and Climate Change was the Rt Hon Ed Miliband MP. The Ministers of State were Lord Hunt of Kings Heath, Mike O'Brien MP (until 8 June 2009) and Joan Ruddock MP (from 9 June 2009). The Parliamentary Under-Secretary of State was Joan Ruddock (until 8 June 2009) and David Kidney (from 9 June 2009).

1.5 The Permanent Secretary is Moira Wallace.

Senior officials

Moira Wallace
Permanent Secretary

Will Cavendish
Director General, International Energy and Climate Change

Edmund Hosker
Acting Director General, Corporate Support and Shared Services

Simon Virley
Director General, Energy Markets and Infrastructure

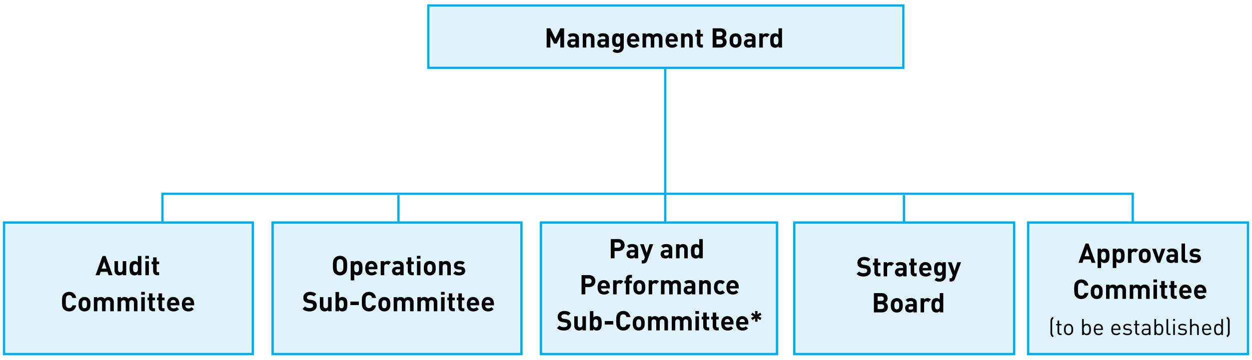
Phil Wynn Owen
Director General, National Climate Change and Consumer Support

David MacKay
DECC Chief Scientific Adviser

1.6 In 2009–10 DECC was organised into five Groups, four headed by Directors General and the fifth by the Chief Scientific Adviser.

DECC board and sub-committees

1.7 The Department's corporate governance structure has been revised during the year and now comprises the Management Board, the Audit Committee (replacing the Resource Accounts Sub-Committee), the Operations Committee (replacing the Strategic Design Board), the Pay and Performance Sub-Committee and the Strategy Board. DECC is also in the process of establishing an Approvals Committee.



* For information on the Pay and Performance Sub-Committee, see p19.

1.8 Executive members of the Management Board and its sub-committees are civil servants appointed in accordance with the Civil Service Management Code. The Management Board also has non-executive Directors and the Audit Committee non-executive members.

1.9 The **Management Board** provides corporate strategic leadership for the Department. This involves setting the Department's corporate strategy and allocating resources, agreeing business plans and monitoring performance, enhancing departmental capability and setting standards, values and controls. Its terms of reference require it to work closely with Ministers.

1.10 Meetings of the Management Board are held monthly and are chaired by Moira Wallace. The members of the Management Board as at 31 March 2010 were:

Moira Wallace	Permanent Secretary
Simon Virley[1]	Director General, Energy Markets and Infrastructure
Phil Wynn Owen[2]	Director General, National Climate Change and Consumer Support
Will Cavendish[3]	Director General, International Energy and Climate Change
Edmund Hosker	Acting Director General, Corporate Support and Shared Services
David MacKay[4]	Chief Scientific Advisor
Vanessa Howlison[5]	Director, Finance
Ravi Gurumurthy[6]	Director, Strategy
Paddy Feeny	Director, Communications
Alison Rumsey[7]	Director, Human Resources
Rob Whiteman[8]	Non-executive Director
Richard Reed[9]	Non-executive Director

1.11 Other members of the Management Board during 2009–10 were:

William Rickett	Director General, Energy Markets and Infrastructure until 30 September 2009
Jonathan Brearley	Acting Director, Strategy until 14 September 2009
David Wagstaff	Acting Director of Strategy 14 September 2009 to 12 March 2010
Andrew Lawrence	Director, Transition until 27 November 2009
Peter Betts	Director General (acting), Energy and Climate Change International until 1 October 2009
Mike Blackburn	Interim Director, Finance until 22 July 2009

1 Simon Virley was acting DG for NCCCS until 15 June 2009. From 30 September 2009 he was acting Director General for EMI. He became Director General for EMI on 20 November 2009.
2 Phil Wynn Owen became Director General of NCCCS on 15 June 2009.
3 Will Cavendish became Director General for IECC on 13 October 2009.
4 David MacKay was appointed Chief Scientific Advisor on 1 October 2009.
5 Vanessa Howlison became Director of Finance on 12 October 2009.
6 Ravi Gurumurthy became Director of Strategy on 1 March 2010.
7 Alison Rumsey was acting Director for Human Resources until 7th October 2009 when she was confirmed as Director of HR.
8 Rob Whiteman was appointed 5 October 2009.
9 Richard Reed was appointed 14 October 2009.

1.12 During the year DECC recruited two non-executive directors to its Management Board and four non-executive members to its Audit Committee. Non-executive members provide a valuable external perspective to help improve internal processes, service delivery and change management. They act in an independent capacity and have an important advisory and challenge role.

1.13 The **Audit Committee**, (which replaced the Resource Accounts Sub-Committee in February 2010), supports the Management Board on ensuring that DECC is a financially sound and efficient organisation. It reviews the effectiveness of the risk management framework established by management to identify, assess and manage risk.

1.14 The Audit Committee advises the Management Board and the Accounting Officer on:

- the effective operation of the overall control, risk and governance arrangements which support the Accounting Officer's Annual Statement on Internal Control; and
- the Department's accounting policies, accounts and Annual Report.

1.15 All the Audit Committee members are independent of DECC. They are:

Rob Whiteman	Chairman and Non-executive Director on the Management Board
Wendy Barnes	Non-executive member
Barry Rourke	Non-executive member
Barry MacDonald	Non-executive member
Caroline Mawhood	Non-executive member

1.16 Moira Wallace – Permanent Secretary, Vanessa Howlison – Finance Director, Jon Whitfield[10] – Head of Internal Audit and the relevant director of the National Audit Office attend meetings of the Audit Committee.

1.17 The **Operations Sub-Committee** was established in August 2009 to replace the Strategic Design Board and is a sub-committee of the Management Board. The Operations Committee's role is to consider major aspects of the Department's management and operations, taking into account DECC's values, and make recommendations to the Management Board on key corporate matters in support of DECC's mission and objectives. The Board is chaired by Edmund Hosker, Acting Director General, Corporate Support and Shared Services.

1.18 The **Strategy Board** was established in April 2009 as a sub-committee of the Management Board, to assist Ministers in the development of UK energy and climate change strategy and in the short term to oversee production of the Low Carbon Transition Plan. The Strategy Board is a sub-committee of the

10 Jon Whitfield is employed by the Department for Business, Innovation and Skills (BIS). BIS provide Internal Audit Services for DECC.

Management Board, which also considers strategy when required. It is chaired by Moira Wallace.

1.19 DECC is in the process of establishing an **Approvals Committee**. The Committee will provide senior management challenge to ensure that DECC designs and initiates major projects and policies in a way that contributes to its strategic objectives, is affordable, deliverable, and offers good value for money.

Building DECC as a new department

1.20 In 2009–10 work continued on the fundamentals of building the Department following its creation in October 2008. Significant milestones included:

- Rolling out a single, flexible IT system for all DECC staff.
- Appointing senior posts in the corporate centre and on the Management Board.
- Launching and promoting the Department's values: aim high, reach out and pull together.
- Agreeing and implementing the Department's first pay award.
- Implementing energy efficiency and carbon reduction measures in the Department's premises.

1.21 The transition team put in place to manage the creation of DECC was wound down in July 2009 following a gradual handover of ongoing functions to business-as-usual teams. Over the summer, effort began to shift from the initial focus on putting in place the building blocks of the Department to considering the longer-term capability required to deliver its objectives and become a high performing organisation.

The Capability Review

1.22 DECC's first Capability Review took place in November 2009. External reviewers conducted extensive interviews of staff and stakeholders. The Review found that the creation of DECC had received wide support from respondents and that in its first year the Department had succeeded in setting a clear direction and attracting high-calibre and enthusiastic staff. However, it also made clear that there is a lot of work to do to meet DECC's 2020 and 2050 targets. The challenge is now to convert DECC into a high performing delivery department.[11]

1.23 Following the completion of the Capability Review, DECC is developing the delivery mechanisms required to meet the long-term challenges the department faces.

Building Capability

1.24 Alongside preparations for the Capability Review, work continued to embed new systems for finance and IT, develop the Department's professional support base, put in place its permanent governance structures, develop HR policies and

11 Full details of DECC's baseline review can be found at: http://www.civilservice.gov.uk/Assets/DECC%20Capability%20Review%20web_tcm6-35128.pdf

learning and development provision for staff, and improve energy efficiency. Significant highlights include:

- Launching the People Strategy, which set out the Management Board's commitment to support and develop staff.
- Developing a DECC Fast Stream programme and expanding the DECC School prospectus of learning events for staff.
- Finalising alignment of DECC's own HR policies, in consultation with the unions: over 100 have been agreed so far and the remaining policies are expected to be agreed during 2010.
- Recruitment of DECC's full Audit Committee to replace the interim Resource Accounts Sub-Committee.
- Appointment of DECC's Chief Scientific Adviser, Professor David MacKay.
- Improving the Display Energy Certificate (DEC) for Whitehall Place from 'G' to 'F' and reducing carbon emissions from electricity and gas use by 20% during 2009–10.
- Establishing the Department's in-house Correspondence Unit to replace legacy arrangements with BIS and Defra and deal with all DECC correspondence.
- Agreeing an Information Management Strategy and rolling out use of Matrix (DECC's Electronic Document & Records Management System) across the Department.

People and Culture

Values

1.25 The DECC Values are to "Aim High, Reach Out and Pull Together". They were launched in October 2009 and are a central part of the work to build an ambitious and outward-focused DECC culture. The recent Capability Review found that their introduction had been successful: they were understood by all staff and recognised by some external stakeholders.

Learning and Development

1.26 Following the publication in 2009 of the People Strategy, the findings of the Department's Capability Review and the appointment of a Learning & Development Manager in January 2010, a review of skills across the Department was initiated to ensure that we make the most effective use of our resources. The Employee Engagement Survey in October 2009 showed that this is also an important issue for staff.

1.27 In 2009, nine Fast Streamers joined the newly designed DECC programme. DECC has also supported Accelerated Development Programmes for five people to gain the skills required to progress to more senior roles. These programmes concluded in March 2010.

1.28 The DECC School has been developed to ensure all staff understand and are engaged with energy and climate change policy, and major issues outside their own areas of work. Seminars are run by policy teams from across the Department and are open to members of other Government Departments with an interest in DECC's agenda.

Staff engagement

1.29 Management Board Roadshows are held every month and give staff the opportunity to question members of the Board about any aspect of how the Department operates. It also provides an opportunity for Board Members to hear, first-hand, ideas employees have about issues directly affecting the Department.

1.30 DECC News is produced on a weekly basis and circulated via internal email and the Departmental intranet to all staff. It provides an update on the key activities within the Department each week and details the activities of Ministers and Senior members of staff.

1.31 The strategy for staff engagement is informed by the results of staff surveys. In July 2009 the Department conducted a mini staff survey to canvass opinion about working in DECC. The Department also took part in the cross-Civil Service People survey in October 2009. The Survey introduced the Employee Engagement Index, a measure of how engaged employees are with their work.

1.32 The survey results showed that the benchmark engagement index for the Civil Service was 58%. DECC scored 63%, which fell within the High Performance Benchmark. (100% represents a position where all respondents strongly agree with all five engagement statements.)

Trade Unions

1.33 A formal agreement between DECC and the Trade Unions has been signed by all parties and a Departmental Trade Union Side (the formal mechanism through which the Trade Unions negotiate with DECC Management) has been established. The Trade Unions have a role to play in shaping the Department's approach to issues such as pay, appraisal procedures, recruitment and the working environment.

Equality and Diversity

1.34 DECC remains committed to embedding equality and diversity considerations throughout the Department's work. DECC has an interim equality and diversity strategy, a Board Champion for Diversity (Phil Wynn Owen) and a Diversity Advisory Group, which represents the Lesbian, Gay, Bisexual and Transgender (LGBT), Disability, and Ethnic and Religious Minority staff networks. The Permanent Secretary and the Board Champion have met with the Diversity Advisory Group and will continue to do so every three months.

1.35 As an equality and diversity aware employer, DECC is committed to treating all staff and job applicants fairly and without discrimination.

1.36 DECC's diversity profile for Senior Civil Servants (SCS) is set out in the table below. It should be noted that due to the relatively small nature of the sample size (total number of SCS at a given time) there is a relatively large impact on percentages, of an individual joining or leaving the Department.

DECC SCS Diversity data during the period of the report

	September 2009		March 2010	
	Numbers	Proportion %	Numbers	Proportion %
SCS women	17 of 70	24	20 of 80	24
SCS women PB2 and above	4 of 17	24	4 of 21	15
SCS BME	2 of 70	3	3 of 80	4
SCS Disabled	3 of 70	4	2 of 80	3

1.37 Along with other public sector organisations, the Department is required by law to promote equality of opportunity in all its functions regardless of race, gender or disability. During the last year DECC completed work to agree its own HR policies and replace the legacy policies from BERR (now BIS) and Defra.

Sickness absence data

1.38 The Department encourages a culture where good attendance is expected and valued. However, it recognises that from time to time absences for medical reasons may be unavoidable. The Department aims to treat its staff who are ill with sympathy and fairness and where possible to provide them with support which will enable them to recover their health and work regularly. In 2009-10, the average number of working days lost was 4.4 days (in 2008–09 it was 3.3 days) per annum per employee. The public sector average is 8.7 days per annum per employee.

Professional support, capability and infrastructure

Legal and analytical capacity

1.39 DECC has an in-house legal team providing expert advice in support of its policy and delivery teams. The legal team is also responsible for the procurement of legal services from outside the Department.

1.40 DECC also has a substantial in-house team of analysts, including economists, statisticians, scientists and other specialists. Analytical work is central to evidence-based policy making in every area of the Department.

1.41 During 2009–10 the UK Statistics Authority reviewed the Department's energy data to ensure compliance with its Code of Practice and concluded that DECC energy statistics can be designated as national statistics.

Better Regulation

1.42 Over the last year DECC has continued to build on the evidence based culture it inherited from its predecessor departments and has developed the institutional framework to deliver the Better Regulation agenda in the Department by:

- Establishing the **Better Regulation Unit** within the Chief Economist's Directorate to advise policy leads on best practice, coordinate DECC consultations and provide guidance on the Government's Code of Practice on Consultation.
- Introducing a **board level champion** for Better Regulation (Edmund Hosker, Acting Director General for Corporate Support and Shared Services) to raise awareness in the Department.

1.43 DECC ensures that all its **impact assessments (IAs)** comply with the standards set by the Better Regulation Executive (BRE) and the parliamentary scrutiny process. This involves continued early and active engagement with BRE and external stakeholders and a systematic process of peer review by government economists.

1.44 DECC also holds regular meetings of the **Inter-departmental Analyst Group (IAG)**, whose members include analysts from DECC, Treasury, Defra, BIS, Department for Transport and the Committee on Climate Change. The IAG provides an additional level of scrutiny and an opportunity to share ideas about analytical best practice, and acts as a forum for inter-departmental and inter-disciplinary exchange.

1.45 In January 2010, DECC published revised guidance on the "Valuation of energy use and greenhouse gas emissions for appraisal and evaluation"[12], supplementing Green Book appraisal guidance in the area of energy and climate change. The publication has helped to improve the transparency of DECC's policy appraisal process and to ensure that appraisal of energy and climate change policies is conducted consistently within the Department and across Government.

1.46 The new impact assessment template and guidance for all departments which came into use on 1 April 2010 introduced a new emission changes table to ensure that the impacts on emissions resulting from policy options are considered.

Science & Innovation

1.47 DECC further developed its in-house science and engineering expertise during 2009–10. Professor David MacKay FRS, DECC's Chief Scientific Adviser (CSA), joined the Department in October 2009. He is also a member of DECC's Management Board.

1.48 The CSA's role is to ensure that the Department's policies, operations and contributions to wider Government issues are underpinned by the best science and engineering advice available.

12 Paper available at http://www.decc.gov.uk/en/content/cms/statistics/analysts_group/analysts_group.aspx

Shared services

1.49 DECC receives a number of shared services from its legacy departments, Defra and BIS. Amongst other things, these services include accounting, finance, procurement, payroll and personnel management services, pension administration, travel and subsistence payments, estates management and IT provision and support. The provision of these services is managed in accordance with memoranda of understanding between DECC and the other departments.

Communications

1.50 DECC's Communications Directorate works across a full range of disciplines including free media, news media, marketing and community engagement. The directorate also fulfils strategic and operational communications for the whole of DECC. The directorate's teams are:

- Press Office
- Marketing and campaigns
- Corporate communications (including internal communications and stakeholder engagement).

Stakeholder Research

1.51 DECC has a wide range of interactions with stakeholders across its policy areas and recognises that its strategic objectives will only be delivered by working in partnership with them. Over the past year DECC has undertaken two pieces of external stakeholder research: a qualitative stakeholder survey undertaken in July and August 2009, followed by a quantitative survey of 250 organisations in March 2010. The results of the March survey showed a 72% favourability rating for the Department.

1.52 The information gained from these exercises helped inform the Department's relationships with stakeholders and engagement approaches.

Correspondence & Enquiry Handling

1.53 Following its creation, DECC initially relied on BERR (now BIS) and Defra for the provision of central correspondence units to handle its correspondence and public enquiries.

1.54 In January 2010, DECC's correspondence services from BIS and Defra were transferred in-house to ensure that correspondence officials were closely linked to policy teams across the Department. This was intended to improve the timeliness and quality of responses.

1.55 The Whitehall correspondence target requires government departments to reply to correspondence from MPs within a maximum of 20 working days. DECC has set itself a standard of responding to 80% of correspondence within 15 working days. From April 2009 to March 2010, DECC responded to an average of 48% of letters from MPs within the target time. Performance during this time gradually improved and by March 2010, 64% of responses were issued within the target time.

1.56 With respect to the handling of public enquiries (letters and emails), DECC responded to an average of 52% within the target time. The Department has now put in place strategies to improve its performance on these cases.

Estates Management and Health and Safety

1.57 The Department currently operates from two buildings – 3 Whitehall Place in London and Atholl House in Aberdeen. For 3 Whitehall Place, DECC procures services from Defra, making use of the Sustainable Workplace Management contract, a joint venture between Defra and Interserve. This provides standard facilities management and telephony services. For Atholl House, the Department procures services from BIS under the contract with EC Harris covering facilities management services.

Security and Resilience

1.58 The Department has put in place business continuity plans to help cope with unforeseeable disasters and has strengthened its planning to be able to respond to risks such as pandemic flu.

1.59 DECC has appointed a Senior Information Risk Owner and has implemented the required actions in the Government's review of data handling and security.

Information Management and personal data related incidents

1.60 DECC agreed an Information Management Strategy in 2009–10 and by April 2010, had rolled out access to Matrix (its Electronic Records and Document Management System) for all staff, supported by training and online guidance.

1.61 The procedures carried out by the Department relating to data handling and security arrangements are noted in the risk and control framework section of the Statement on Internal Control. DECC reported no incidents of loss of protected personal data to the Information Commissioner's Office during 2009–2010.

Health and Safety

1.62 A Health and Safety officer was appointed in January 2010. In February, the Department held its first Health and Well-being Day in London.

1.63 The Department's newly formed Health and Safety Committee has agreed the first tranche of health and safety policy documents that will shortly be published on the DECC intranet. The Committee is made up of employee representatives. It provides advice on measures to improve the safety of visitors to the Department and the health, safety and well-being of employees.

1.64 In 2009–10, 56 employees received advice or specialist equipment to help them with a health problem or disability.

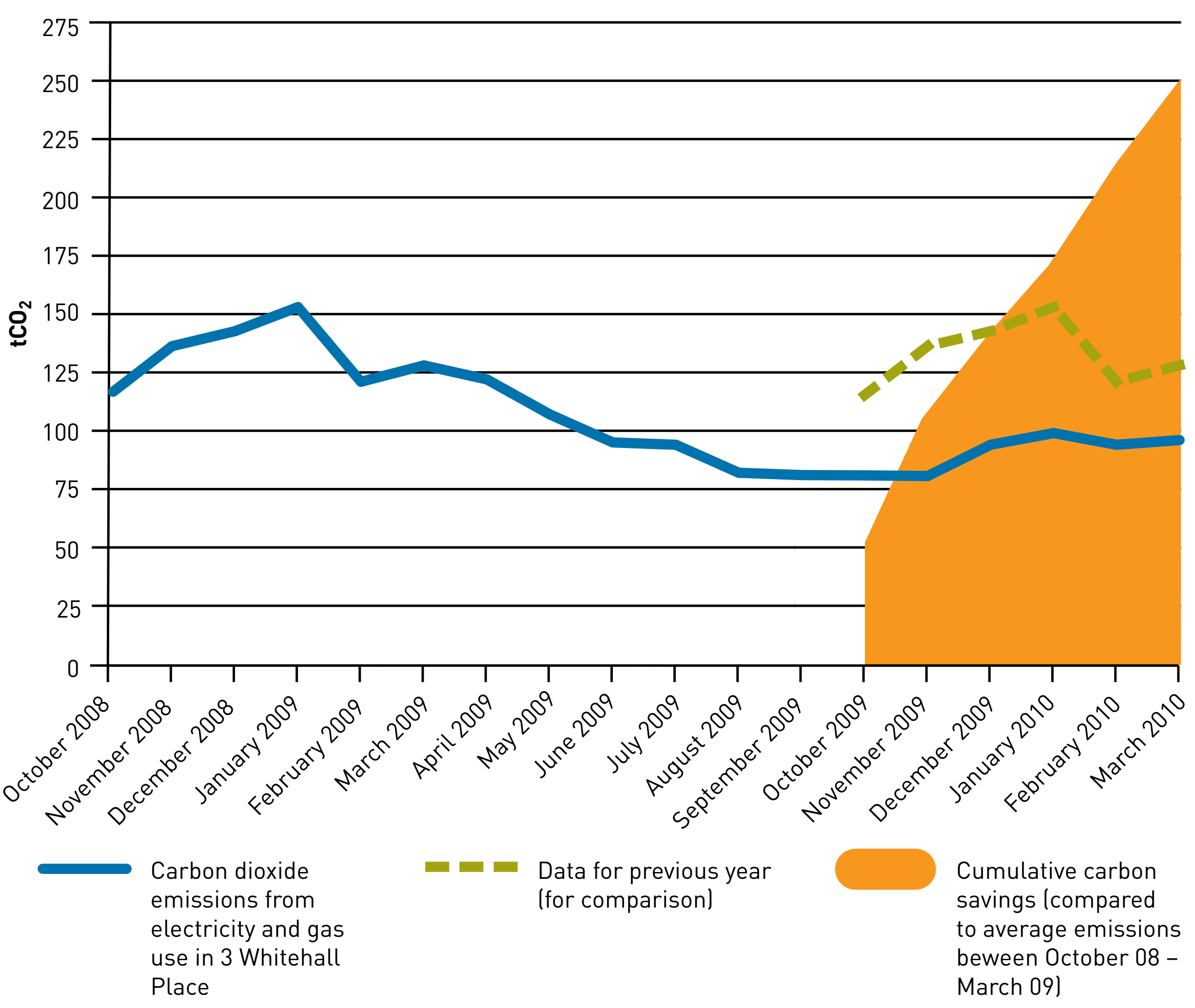
Environmental Sustainability

1.65 In 2009–10 the Department worked with the Carbon Trust to produce an assessment of its carbon footprint.

1.66 DECC made an explicit commitment to reduce carbon emissions from its electricity and gas use by 10% during 2009–10. By the end of the year DECC had reduced overall emissions from these sources by 20%. Gas use fell by more than 55% in 2009–10 compared to 2008–09. The Department's Display Energy Certificate (DEC) rating also improved from a 'G' – the worst rating – to an 'F', with measures to improve this further already underway.

1.67 Figure 1.1 shows carbon emissions from the establishment of the Department until the end of this reporting period. The high carbon emissions in early 2009 are the result of efforts to prepare the building for increased occupancy and projects to improve the building's efficiency, which were energy intensive in the short term. The shaded area of the graph shows cumulative carbon savings achieved between October 2009 and March 2010 compared to the average monthly emissions from October 2008 to March 2009 (133 tCO_2).

Figure 1.1: Carbon emissions from 3 Whitehall Place



Public Service Agreements

1.68 During the period covered by this report, delivery across Government was coordinated by thirty Public Service Agreements (PSAs). PSAs set out what departments were to deliver during each spending review period. Each PSA contained a delivery plan that gave responsibility for meeting PSAs to a lead department, supported by other departments.

1.69 During 2009–10 DECC was the lead department for PSA 27, 'To lead the global effort to avoid dangerous climate change'. DECC's formal central government delivery partners were:

- Her Majesty's Treasury (HMT)
- Communities and Local Government (CLG)
- Department for Transport (DfT)
- Department for Environment, Food and Rural Affairs (Defra)

- Department for International Development (DfID)
- Foreign and Commonwealth Office (FCO)

1.70 The PSA was co-ordinated through a system of cross-Whitehall boards to ensure that departments delivered their commitments to tackle greenhouse emissions at home and abroad and adapt to the effects of climate change.

Departmental Strategic Objectives

1.71 The Department is responsible for all aspects of UK energy policy and for tackling global climate change. Until 20 November 2009, the Department's Strategic Objectives (DSOs) were as follows:

i) Climate change tackled internationally and through domestic action to reduce greenhouse gas emissions.

ii) Ensure the reliable supply and efficient use of clean, safe and competitively priced energy.

iii) Manage energy liabilities effectively and responsibly.

1.72 However, following HM Treasury's approval, on 20 November 2009 the DSOs were changed. The DSOs which covered the remainder of the 2009–10 financial year were:

1. Secure global commitments which prevent dangerous climate change.
2. Reduce greenhouse gas emissions in the UK.
3. Ensure secure energy supplies.
4. Promote fairness through our climate and energy policies at home and abroad.
5. Ensure that the UK benefits from the business and employment opportunities of a low carbon future.
6. Manage energy liabilities effectively and safely.
7. Develop the Department's capability, delivery systems and relationships so that we serve the public effectively.

1.73 These objectives together provided comprehensive coverage of all the Departments key areas of work and reflect the high level objectives agreed for the Government's climate and energy policy.

1.74 Four of the seven revised objectives were closely related to the three original DSOs:

- Objectives 1 and 2 were closely related to the previous objective i
- Objective 3 was closely related to the previous objective ii
- Objective 6 was closely related to the previous objective iii

1.75 The rationale underpinning the new objectives was as follows:

- Objective 4 reflected a broader understanding of fairness rather than limiting it to the number of households in fuel poverty (which was a component of the previous objective ii). Whilst fuel poverty was an important indicator, the objective also includes indicators for competitiveness of energy prices and the fairness of our carbon reduction policies across sectors.
- Objective 5 was introduced to ensure the UK's transition to a low carbon economy provides the maximum possible business and employment benefits from new low carbon sectors, so that the UK can capitalise on the transition. This is particularly relevant given the current economic situation and the potential for high growth that low carbon sectors should provide going forward.
- Objective 7 has been introduced because it is important for the Department to achieve a high level of effectiveness, efficiency and good value for money for the public.

1.76 Performance data tables for PSA 27 and these DSOs are included in this report at Annex 2.

Achieving our objectives

1.77 During 2009-10, DECC's work followed the strategy set out in the Low Carbon Transition Plan. The Plan sets out measures designed to cut emissions, maintain secure energy supplies, maximise economic opportunities and protect the vulnerable whilst ensuring a transition to a low-carbon economy.

1.78 In addition to the Low Carbon Transition plan, during 2009-10 the Department published a number of documents which set out how it would achieve its objectives. These documents can be accessed from DECC's online publications library: http://www.decc.gov.uk/publications/

1.79 As part of the Departmental Objectives referred to above, DECC is responsible for government action to implement a number of legally binding targets and the management of a number of government assets and liabilities. The legally binding targets include those set out in the following legislation and treaties:

- The Climate Change Act 2008
- The Carbon Reduction Commitment, Energy Efficiency Scheme
- International treaties on Climate Change, in particular the UN Framework Convention on Climate Change and the Kyoto Protocol
- The EU Emissions Trading Scheme Directive
- The EU Renewables Directive

1.80 The significant liabilities and assets for which government is responsible and DECC now manages, arose when energy industries were in public ownership. These include managing residual coal liabilities, clean up and decommissioning of the civil public nuclear liabilities. DECC also plays a role in limiting proliferation of chemical and nuclear weapons and must ensure the oil and gas industries decommission their offshore infrastructure.

1.81 The largest single category of liabilities is related to the nuclear industry. The Department manages these through the Nuclear Decommissioning Authority (NDA). Since 2005 the NDA has had responsibility for 19 sites formerly owned by UK Atomic Energy Authority (UKAEA) and British Nuclear Fuels (BNFL). 50% to 60% of the legacy decommissioning costs are at a single site in Sellafield, which includes some generation of Magnox nuclear power stations and a range of historic experimental facilities created up to 60 years ago. Two Magnox power stations remain operational as do facilities for fuel manufacture, reprocessing and waste treatment and storage.

1.82 The NDA was responsible for some £1.629 billion (56%) of the Department's Net Operating Costs in 2009-10 (see Note 14 to the Resource Accounts).

1.83 The Coal Authority manages the effects of past coal mining in order to promote public safety and safeguard the landscape. It was responsible for some £36 million (1.3%) of the Department's Net Operating Costs in 2009-10.

Future objectives

1.84 Following the General Election in May 2010 the Department has been developing its plans to implement the relevant commitments set out in 'The Coalition: our Programme for Government.'

1.85 On 24 May the Chancellor of the Exchequer announced £6.2 billion of cuts in 2010-11 spending. As part of the Whitehall-wide effort to reduce the deficit, DECC is making savings of £85 million which will be delivered from cutting waste and inefficiency, and reducing lower priority programme spend:

- £4.8 million from the Department's administrative costs including savings on pay and travel
- £20.2 million from efficiencies across the Department's delivery bodies
- £26 million from other efficiencies including £6 million by targeting lower impact spend in the Regional Development Agencies, and reducing their running costs
- £34 million from business support programmes including moving forward closure of the Low Carbon Buildings Programme

1.86 During the recent Emergency Budget, the Government reaffirmed its commitment to playing its part in moving to a low-carbon economy. Part of this will be the establishment of a Green Deal for households through legislation in the Energy Security and Green Economy Bill, to help individuals invest in home energy efficiency improvements that can pay for themselves from savings in energy bills.

1.87 Further detail of the Department's priorities for 2010-11 will be set out in the Structural Reform Plan and Annual Energy Statement due for publication before

Parliament rises for the summer recess. As with other departments, DECC's full business plan will be published following the conclusion of the Spending Review planned for October 2010.

Remuneration report

Remuneration policy

1.88 The remuneration policy for senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

1.89 The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

1.90 In reaching its recommendations, the Review Body is to have regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional and local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits; and
- the Government's inflation target.

1.91 The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

1.92 Further information about the work of the Review Body can be found at www.ome.uk.com.

Performance and reward

1.93 The Senior Civil Service (SCS) pay system includes relative performance assessments. Individuals are assessed as being in Group 1, 2, 3 or 4 of their pay band.

1.94 In 2009 all individuals in Group 1 and 2 and a small proportion of the individuals in Group 3 received a non-consolidated performance related award as a reward for in-year performance against objectives. These awards vary in amount within an overall cost envelope set by the Senior Salaries Review Body and approved by the Government.

1.95 Further information about the performance and reward arrangement for Senior Civil Servants can be found at http://www.civilservice.gov.uk/jobs/Entry/Experienced-Professionals/scs-pay.aspx

Pay and Performance Sub-Committee

1.96 The remuneration of the senior civil servants who are not members of the Management Board is determined by the departmental Pay and Performance Sub-Committee. The Members of the committee are:

Moira Wallace	Permanent Secretary
Will Cavendish	Director General, International Energy and Climate Change
Simon Virley	Director General, Energy Markets and Infrastructure
Phil Wynn Owen	Director General, National Climate Change and Consumer Support
Edmund Hosker	Acting Director General, Corporate Support and Shared Services
David MacKay	Chief Scientific Advisor
Alison Rumsey	HR Director

1.97 The Terms of Reference of the Pay and Performance Sub-Committee are to determine and publish the department's Senior Civil Service (SCS) pay strategy; assess the relative contribution of its SCS members; authorise decisions on individual pay awards; ensure the average cost increases are within centrally determined budgets; and monitor pay outcomes. The Committee also conducts an annual talent review of the SCS.

Service contracts

1.98 Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointments to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made. Further information about the work of the Civil Service Commissioners can be found at www.civilservicecommissioners.org

1.99 The officials covered by this report hold appointments which are open-ended until they reach the normal retiring age, except for the following:

- David MacKay, whose services are provided by a third party under a contract which runs until 30 September 2010.
- Mike Blackburn, whose services were provided by a third party under a contact which expired on 22 July 2009.

1.100 Early termination other than misconduct would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Senior Civil Service staff

1.101 The numbers of Senior Civil Service (SCS) staff employed by DECC and their annual salaries, including performance pay, were as follows:

Pay range	Total SCS staff	
	2009–10	2008–09
£55,000 – £59,999	5	6
£60,000 – £64,999	12	11
£65,000 – £69,999	13	9
£70,000 – £74,999	10	12
£75,000 – £79,999	8	3
£80,000 – £84,999	12	7
£85,000 – £89,999	1	2
£90,000 – £94,999	2	1
£95,000 – £99,999	4	3
£105,000 – £109,999	1	1
£110,000 – £114,999	1	3
£115,000 – £119,999	2	0
£120,000 – £124,999	2	2
£125,000 – £129,999	1	0
£140,000 – £144,999	2	1
£160,000 – £164,999	0	1
£165,000 – £169,999	1	0

Salary and pension entitlements for Ministers of the Department

1.102 The remainder of this Remuneration Report contains audited information. The remuneration of Ministers is determined in accordance with the provisions of the Ministerial and Other Salaries Act 1975 (as amended by the Ministerial and Other Salaries Order 1996) and the Ministerial and Other Pensions and Salaries Act 1991. The salary and pension entitlements of the Ministers of the Department of Energy and Climate Change for the year ending 31 March 2010 were as follows:

	Accrued pension at 65 at 31/03/10	Real increase in pension at age 65	CETV at 31/03/10	CETV at 31/03/09	Real increase in CETV	Ministerial salary received 2009–10	Ministerial salary received 2008–09
	£'000	£'000	£'000	£'000	£'000	£	£
Secretary of State							
Rt Hon Ed Miliband MP[13]	0–5	0–2.5	45	28	7	78,356	43,191 from 3 October 2008 (86,381 full year equivalent)
Ministers of State							
Mike O'Brien MP (to 8 June 2009)	10–15	0–2.5	168[14]	159	6	10,161 (40,646 full year equivalent)	19,777 from 6 October 2008 (40,640 full year equivalent)
Lord Hunt OBE[15]	15–20	0–2.5	278	233	25	121,323	–
Joan Ruddock MP[16]	0–5	0–2.5	44	25	14	38,823	15,260 from 6 October 2008 (31,174 full year equivalent)
Parliamentary Under Secretary of State							
David Kidney MP (from 9 June 2009)[17]	–	–	–	–	–	–	–

1.103 All the Ministers noted above as holding office at 31 March 2010 ceased to hold office on 12 April 2010 when Parliament was dissolved.

13 The Department was recharged £19,589 (2008-09: £43,191) for salary costs paid by Cabinet Office, this is included in the table above.
14 The CETV figure for this member is at the date he left the Department.
15 Joint Minister with the Department for Environment, Food and Rural Affairs (Defra) until 8 June 2009, details of the Ministerial salary received in 2008-09 can be found in the Defra Resource Accounts.
16 Parliamentary Under Secretary of State until 8 June 2009.
17 Unpaid Minister of the Department.

1.104 This report is based on payments made by the Department and thus recorded in these accounts. In respect of Ministers in the House of Commons, departments bear only the cost of the additional ministerial remuneration; the salary for their services as a Member of Parliament (£64,766 from 1 April 2009 and £63,291 from 1 April 2008) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their ministerial salaries. The total remuneration, as well as the allowances to which they are entitled, is paid by their department although the Lords Ministers' allowance is non-pensionable.

Salary and pension entitlements for the members of the Departmental Management Board

1.105 The salary and pension entitlements of the members during the year of the Departmental Management Board were as follows:

	Accrued pension at age 60 at 31/03/10 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/10	CETV at 31/03/09	Real increase in CETV	Salary including performance pay 2009–10	Salary including performance pay 2008–09
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Moira Wallace[18]	50–55 plus 155–160 lump sum	2.5–5 plus 10–12.5 lump sum	874	763[19]	59	165–170	80–85 (from 3 October 2008) (160–165 full year equivalent)
Will Cavendish (from 13 October 2009)	20–25	0–2.5	316	294[20]	15	55–60 (110–115 full year equivalent)	–
Simon Virley	30–35 plus 50–55 lump sum	2.5–5 plus 0–2.5 lump sum	399	336	37	145–150	30–35 (from 5 January 2009) (130–135 full year equivalent)
Phil Wynn Owen (from 15 June 2009)	50–55 plus 150–155 lump sum	2.5–5 plus 10–12.5 lump sum	886	799[20]	72	115–120 (140–145 full year equivalent	–
Edmund Hosker	45–50 plus 140–145 lump sum	2.5–5 plus 12.5–15 lump sum	898	761	85	135–140	55–60 (from 14 October 2008) (120–125 full year equivalent)

18 Moira Wallace received a benefit in kind assessed at £7,917 (2008–09: £10,181) relating to the use of a vehicle for the period from 3 October 2008 to 27 May 2009.
19 The figure is different from the closing CETV in last year's accounts. This is due to different actuarial factors on the calculator, as provided by the Cabinet Office.
20 The CETV figures for these members is at the date they joined the Department.

	Accrued pension at age 60 at 31/03/10 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/10	CETV at 31/03/09	Real increase in CETV	Salary including performance pay 2009–10	Salary including performance pay 2008–09
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
David MacKay[21] (from 1 October 2009)	–	–	–	–	–	–	–
William Rickett[22] (to 30 September 2009)	60–65 plus 180–185 lump sum	0–2.5 plus 2.5–5 lump sum	1,386[23]	1,288	29	85–90 (140–145 full year equivalent)	70–75 (from 3 October 2008 (140–145 full year equivalent)
Paddy Feeny	25–30 plus 85–90 lump sum	2.5–5 plus 7.5–10 lump sum	442	369[19]	48	110–115	40–45 (from 10 November 2008) (105–110 full year equivalent)
Alison Rumsey	5–10	0–2.5	94	63	24	105–110	15–20 (from 19 January 2009) (95–100 full year equivalent)
Ravi Gurumurthy (from 1 March 2010)	5–10 plus 25–30 lump sum	0–2.5 plus 0–2.5 lump sum	93	93[20]	–	5–10 (80–85 full year equivalent	–
Vanessa Howlison (from 12 October 2009)	40–45	2.5–5	513	476[20]	43	50–55 (120–125 full year equivalent)	–
Peter Betts (to 1 October 2009)	30–35 plus 90–95 lump sum	2.5–5 plus 7.5–10 lump sum	558[23]	474	62	55–60 (105–110 full year equivalent	5–10 (from 2 March 2009) (95–100 full year equivalent)

21 The services of David MacKay, the Chief Scientific Advisor, were provided via a third party. During the period from 1 October 2009 to 31 March 2010 the Department was charged £71,528 (2008-09: £Nil), exempt of VAT, by the third party for his services under a contract which runs until 30 September 2010.

22 William Rickett left under Approved Early Retirement terms on 30 September 2009. He received an immediate payment of his pension and associated lump sum in accordance with the rules of the scheme.

23 The CETV figures for these members is at the date they left the Department.

	Accrued pension at age 60 at 31/03/10 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/03/10	CETV at 31/03/09	Real increase in CETV	Salary including performance pay 2009–10	Salary including performance pay 2008–09
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Mike Blackburn[24] (to 22 July 2009)	–	–	–	–	–	–	–
Jonathan Brearley (to 14 September 2009)	5–10 plus 20–25 lump sum	0–2.5 plus 0–2.5 lump sum	94[23]	80[19]	7	50–55 (100–105 full year equivalent)	40–45 (from 3 October 2008) (85–90 full year equivalent)
Andrew Lawrence[25] (to 27 November 2009)	15–20 plus 45–50 lump sum	0–2.5 plus 2.5–5 lump sum	188[23]	167[19]	12	65–70 95–100 full year equivalent	40–45 (from 3 October 2008) 90–95 full year equivalent)
David Wagstaff (from 14 September 2009 to 12 March 2010)	10–15 plus 35–40 lump sum	0–2.5 plus 0–2.5 lump sum	188[23]	180[20]	10	40–45 (80–85 full year equivalent)	–
Mike Anderson (from 3 October 2008 to 27 February 2009)	–	–	–	–	–	–	45–50 (from 3 October 2008 to 27 February 2009) (110–115 full year equivalent)

24 The services of Mike Blackburn, the interim Finance Director, were provided via a third party. During the period from 1 April 2009 to 22 July 2009 the Department was charged £136,951 (2008-09: from 10 November 2008 – £160,195), including VAT, by the third party for his services under a short term contract which expired on 22 July 2009.
25 The full year equivalent for 2008-09 has been restated.

Notes

- The information relates only to the most senior managers of the core department. Similar information relating to the Chief Executives and most senior managers of the bodies within the DECC family is given in the separate accounts of those bodies.
- Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. Calculations for the full year equivalent salary banding exclude bonuses. No Board members received any benefits in kind during the year other than noted in footnote 19 to the table above.

Non Executive Directors

1.106 The fees paid during the year were as follows:

	2009–10 £'000	2008–09 £'000
Rob Whiteman* (from 5 October 2009)	8 (16 full year equivalent)	–
Richard Reed** (from 14 October 2009)	–	–

* Rob Whiteman is also Chair of the Audit Committee.
** Richard Reed has waived his fee for the year 2009-10, according to his contract this would be £12,000 per annum from October 2009.

1.107 Rob Whiteman's appointment is under a contract which runs until 4 October 2012. Richard Reed's appointment is under a contract which runs until 14 October 2010.

Ministerial pensions

1.108 Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

1.109 Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and a lower rate of employee contribution.
An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

1.110 Benefits for Ministers are payable at the same time as MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from ministerial office from age 65. Pensions are re-valued annually in line with changes in the Retail Prices Index. From 1 April 2009 members pay contributions of 5.9% of their ministerial salary if they have opted for the 1/60th accrual rate, 7.9% of their salary if they have opted for the 1/50th accrual rate or 11.9% of their salary if they have opted for the 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary; this is currently 28.7% of the ministerial salary.

1.111 The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

Civil Service pensions

1.112 Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). The statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality "money purchase" stakeholder pension with an employer contribution (partnership pension account).

1.113 Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on the pensionable earnings during the period of scheme membership.
At the end of the Scheme year (31 March) the member's earned pension account is credited with 2.3 % of their pensionable earnings in that scheme year and the accrued pension is updated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

1.114 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

There were no employer contributions for the most senior managers to partnership pension accounts during the year.

1.115 The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

1.116 Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

The Cash Equivalent Transfer Value

1.117 A Cash Equivalent Transfer Value (CETV) is the actuarially assessed, capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

1.118 The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculties of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

1.119 This reflects the increase in CETV that is funded by the employer. In the case of Ministerial pensions, this is effectively the element of the increase in accrued pension funded by the Exchequer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Moira Wallace

Moira Wallace
Principal Accounting Officer and Permanent Secretary
16 July 2010

Chapter 2

Financial Overview

Introduction

2.1 This overview deals with the two different but overlapping financial control regimes that apply to central government bodies:

- the Estimates/Accounts boundary covering the Core Department (including the Advisory Non-Departmental Public Bodies) and the grant-in-aid funding of the Executive NDPBs. The Department does not have any Executive Agencies. The Executive NDPBs are not consolidated in the Resource Accounts. Instead, the Department's cash funding of these bodies together with the commercial income of the Nuclear Decommissioning Authority (NDA) is treated as Non-Budget grant-in-aid. Executive NDPBs publish their own Annual Report and Accounts.
- the Budget boundary covers the resource and capital consumption of the whole Departmental family (the Core Department and Executive NDPBs, so excluding the Non-Budget grant-in-aid).

2.2 The Resource Accounts report the actual financial results based on the Estimates/Accounts boundary so the explanations below largely reflect that regime. However, from a Budget boundary perspective the Department is also responsible for the current and capital consumption of the whole Departmental family. The expenditure tables in Annex 1 of this Report show the estimated outturn against the Budget, as published by HM Treasury in the 2010 Public Expenditure Outturn White Paper (PEOWP).

2.3 Because the provision of estimated outturn data to HM Treasury for PEOWP comes before the final drafts of the Resource Accounts for the Department and the Executive NDPBs are prepared and audited, the outturn shown in Annex 1 will not necessarily match the Budget outturn in the reconciliation between Estimates, Accounts and Budget below. The final Budget outturn figures are supplied to HM Treasury once all the contributing Resource Accounts have been published.

2.4 In common with other central Government bodies, the Comptroller & Auditor General is the appointed external auditor.

2.5 The Department of Energy and Climate Change was created by bringing together most of the Climate Change Group previously part of the Department for Environment, Food and Rural Affairs (Defra) and all of the Energy Group previously part of the Department for Business Enterprise and Regulatory Reform (BERR), now the Department of Business Innovation and Skills (BIS), on 3 October 2008, as a Machinery of Government change.

2.6 In accordance with the HM Treasury Financial Reporting Manual (FReM), the first Resource Accounts for 2008–09 were subject to merger accounting and so were presented as though the Department had been in existence from 1 April 2008. Consequently, the comparatives shown in the 2009–10 Resource Accounts and the Statement of Financial Position as at 1 April 2008 are also presented as though the Department had been in existence throughout that period.

The resources available to the Department

The Spending Review process

2.7 A Comprehensive Spending Review (CSR) or Spending Review (SR) is the process by which the Government sets spending plans, usually for the coming three years. This determines the Total Managed Expenditure (TME). TME is made up of the Departmental Expenditure Limit (DEL) Budget and the Annually Managed Expenditure (AME) Budget. The DEL Budget is set before the CSR/SR period starts for each year of the CSR/SR. The AME Budget is set in consultation with HM Treasury at the start of each financial year and updated through the twice yearly Supplementary Estimates. DEL Budgets for the three-year period 2008–09, 2009–10 and 2010–11 were set by the CSR in 2007 (CSR07).

2.8 DEL and AME Budgets are split between Resource and Capital. Within the DEL Resource Budget, the Administration Budget is separately identified.

2.9 The DEL Resource Budget is split between near cash and non cash elements. Near cash items are transactions that result in real cash flows in the near future, these include staff costs, procurement of goods/services and grants. Non cash items are included to reflect the full economic cost of activities and the usage of long-term assets, including depreciation and cost of capital.

2.10 Following the completion of the Budget negotiations with BERR (now BIS) and Defra, HM Treasury issued a CSR07 settlement letter for the Department setting out the DEL Budgets for 2008–09, 2009–10 and 2010–11.

From Estimates to Accounts to Budgets

2.11 Whilst the Department's Budgets are agreed in the Spending Review process, additional Parliamentary approval must be sought annually for the planned expenditure of the Department itself. Supply Estimates seek Parliamentary authority each year via a vote on the Request for Resources (RfR). The RfR itself only includes the DEL and AME expenditure of the Core Department plus the Non-Budget grant-in-aid to Executive NDPBs, the RfR excludes the current and capital consumption of the Executive NDPBs.

2.12 Notes to the Estimate show the reconciliation between the RfR and the Budget. All subsequent changes to RfRs can only be approved by Parliament as part of the Supplementary Estimates process.

2.13 The Department seeks approval from Parliament for its Main Estimates for the year in April. Supplementary Estimates can be submitted in the summer, winter and spring. Estimates follow a standard format, comprising a Request for Resources (RfR) which set a limit on the resources required for each main activity, a request for capital funding and a Net Cash Requirement (NCR), which represents the actual cash made available by the Exchequer to fund the Department's activities. Each Estimate is accompanied by a formal description (or ambit) of the services to be financed under it. Funds voted by Parliament can only be used to finance services that fall within the ambit of the Estimate.

2.14 The Department's Estimate has a single RfR: "Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK, securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; and managing historic energy liabilities effectively and responsibly."

Reconciling Estimate, Accounts and Budget outturns

2.15 The Outturn for the Department's Estimate, Accounts and Budget boundaries is reconciled in the following table:

	Notes	2009–10	Restated 2008–09
		£'000	£'000
Net Resource Outturn (Estimate)	**1**	**3,034,961**	**2,739,656**
Adjustment in respect of:			
Consolidated Fund Extra Receipts (CFERs) in the Operating Cost Statement	2	(62,167)	(31,275)
Excess Appropriations in Aid	3	(68,578)	(613,111)
Effect of transition to IFRS	4	–	176
Net Operating Cost (Accounts)		**2,904,216**	**2,095,446**
Adjustment in respect of:			
Capital Grants treated as Resource in Accounts, but Capital in Budget		(659,133)	(516,583)
Resource consumption of NDPBs	5	(2,642,809)	(466,722)
Voted expenditure outside the budget		(112)	(85)
Net Resource Outturn (Budget)		**(397,838)**	**1,112,056**
Of which:			
DEL		1,233,092	355,086
AME		(1,630,930)	756,970

Notes
1. See Statement of Parliamentary Supply in the Resource Accounts.
2. See Note 6 to the Resource Accounts.
3. The amount of operating income recognised in excess of that authorised to be Appropriated in Aid.
4. The 2008-09 Operating Cost Statement has been restated for the adoption of IFRS, however the Statement of Parliamentary Supply has, in accordance with HM Treasury instruction, not been restated; see Note 2 to the Resource Accounts for further details of this adjustment.
5. Adjustments for the difference between the Non-Budget grant-in-aid and the Resource DEL Budget consumption.

2.16 The 2008–09 figures have been restated in order to reflect the final NDPB accounts.

Financial Review of the Resource Accounts

Statement of Parliamentary Supply

2.17 This is the main accountability statement for Parliamentary reporting purposes, showing the Net Resource Outturn compared to the Estimate RfR. The Statement also includes a comparison of Non-Operating Appropriations in Aid (capital income) with the amount set out in the Estimate, and discloses amounts payable to the Consolidated Fund as Extra Receipts (CFERs).

2.18 The Net Resource Outturn for 2009–10 of £3,035m compares to the Estimate control of £3,089m, a saving of £54m. The saving is due to the decision not to proceed with a proposed contribution to the EU Infrastructure Fund, partly offset by increased spending on the Warm Front and Boiler Scrappage schemes.

2.19 The detailed analysis of the Net Resource Outturn is shown in Note 3 to the Resource Accounts. The most significant variances are explained below:

- Managing historic energy liabilities effectively and responsibly (Estimate Subhead B) was £46m (4%) higher than the Estimate, as a result of the effects of significant increases in fuel prices and the effects on projections of the future liability in assessing the concessionary fuel provision.
- Bringing about a low carbon UK (Estimate Subhead C) was £32m (4%) higher than the Estimate due to higher Warmfront expenditure.
- Managing historic energy liabilities effectively and responsibly (Estimate Subhead G) was £22m (15%) higher than the Estimate, as a result of increases in the health related coal provisions due to reassessing forecasts.
- Managing historic liabilities effectively and responsibly (Estimate Subhead I) was £104m (3%) lower than the Estimate due to reduced net grant in aid payable to the NDA.

Operating Cost Statement

2.20 The Operating Cost Statement is similar to an Income and Expenditure Account in not-for-profit bodies and includes all operating income and expenditure relating to the Core Department on an accruals accounting basis, including that which sits outside of the Estimate. The Net Operating cost for 2009–10 was £2,904m (2008–09: £2,095m), this is higher than the previous year largely due to the net grant in aid drawdown of the NDA being £731m higher than in 2008–09. In 2008–09 the NDA received significant revenue from electricity generation and reprocessing activities, and exceptionally large cash receipts from income already recognised in 2007–08.

2.21 The difference between Net Operating Cost and Net Resource Outturn is income payable to the Consolidated Fund (see Note 4 to the Resource Accounts).

Statement of Financial Position

2.22 The Department had total net liabilities at 31 March 2010 of £2,204m (31 March 2009: £2,115m). The movement in net liabilities is due to various elements: a reduction of £238m in the Coal Pensions Investments as described below; the set up during the year of Energy Efficiency loans of £94m as described below; a reduction in total provisions of £159m as described below; and the reduction in overall working capital balances which have decreased by £108m.

2.23 Three Statements of Financial Position are presented in accordance with HM Treasury's instructions as a result of the adoption of International Financial Reporting Standards (IFRS) from 1 April 2009, thus requiring the comparatives and opening Statement of Financial Position to be represented in accordance with IFRS. The effect of the restatement is shown in Note 2 First time adoption of IFRS.

Financial assets: Coal Pensions Investments

2.24 Immediately prior to the privatisation of British Coal in 1994, the Corporation's two pension schemes and associated funds, the BCSSS and the MPS, were closed to new members and Government guarantees were introduced to safeguard the real value of members' pension entitlements.

2.25 Investment Reserves and Guarantor Funds exist within each of the two schemes, the former representing British Coal's unused share of pre-privatisation pension scheme valuation surpluses and the latter representing the Government's share, as Guarantor, of post-privatisation surpluses. In defined circumstances these sub-funds can be utilised in support of the master funds from which guaranteed pension entitlements are paid. To the extent they are not required for the purpose of supporting guaranteed benefits, these sub-funds are payable to the Government and so are treated as financial assets of the Department. The Government agreed in 1994 that it would leave Investment Reserves in place until at least 2019 and indicated that, conditional on the recommendations of the Schemes' actuary, withdrawals were likely to be weighted towards the second half of the 25 year period.

2.26 In accordance with IAS39 Financial Instruments: recognition and measurement, financial assets are included at fair value (based on discounted future cash flows) rather than the funds' market values.

2.27 Cash payments to the Department from the Investment Reserves and Guarantor Funds are passed to the Consolidated Fund as they are received. During 2009–10, income amounted to £337m (2008–09: £279m) as shown in Note 9 to the Resource Accounts.

2.28 The MPS and BCSSS are subject to actuarial valuations every three years, the most recent being as at 30 September 2008 and at 31 March 2009 respectively. The valuations of both funds reflect the discounted cash flows as recommended by the Government Actuary's Department, in both cases these are for the following six years for the Guarantor's Fund and until the next valuations for the Investment

Reserve; thereafter the balance of the funds valuations as 31 March 2010 are spread as residual cash flows over the remaining period until 2020.

2.29 The Coal Pensions Investments have reduced in value over the year by £238m (2008–09: £2,365m) as a result of the cash payments to the Department of £337m (2008–09: £279m), partially offset by the market recovery of the underlying assets, the discounted effects being a favourable revaluation of £57m (2008–09: £996m adverse) for MPS and a favourable revaluation of £42m (2008–09: £1,090m adverse) for BCSSS.

2.30 The change in the valuations during the year as a result of reflecting the recent GAD valuations are posted to the Revaluation Reserve.

Financial assets: Energy Efficiency loans

2.31 The Energy Efficiency loans scheme has been set up during 2009–10 to help businesses and public sector organisations reduce their energy costs. Such loans are held on the statement of financial position as financial instruments classified as loans and receivables. The loans are repayable over periods of up to four years and are valued according to their discounted future repayment cash flows.

2.32 These loans are held on the statement of financial position at £94m (2008–09: £Nil) and are administered through the Carbon Trust for small and medium sized entities and its wholly owned subsidiary, Salix, for public sector organisations.

Nuclear provision

2.33 The Department is obliged to assist British Energy to meet its historic nuclear fuel liabilities, so there is a provision in the accounts at 31 March 2010 of £2,080m (31 March 2009: £2,153m). The valuation is based on discounting the expected monthly contracted cash payments to be made until 2029. The main movements in the provision during the year are the actual cash payments made compared to the unwinding of one year's discount.

Coal provisions

2.34 The health liabilities of British Coal transferred to the Department on 1 January 1998 (under the terms of the Coal Industry Act 1994).

2.35 The two schemes which have historically been the major schemes are those to compensate coal miners and their families in relation to Chronic Obstructive Pulmonary Disease (COPD) and Vibration White Finger (VWF). Both schemes are now closed to new claimants and have both reduced considerably during the year as the schemes are nearing completion, over 99% of claims have now been settled with the remaining claims expected to be settled by 2012. A combined provision at 31 March 2010 of £7m (31 March 2009: £72m); together they have decreased by £65m (2008–09: £217m).

2.36 There are also provisions covering other injury-related compensation claims such as noise induced hearing loss, pneumoconiosis and other diseases amounting to £23m at 31 March 2010 (31 March 2009: £40m). The vast majority of these claims are expected to be settled by 2025.

2.37 There is also a provision at 31 March 2010 of £54m (31 March 2009: £84m) for administrative advisers for the health related schemes noted above which has increased by £15m (2008–09: £60m) due to increased forecasts of future legal and claim handling costs and unwinding of the discount, offset by cash payments of £45m (2008–09: £57m).

2.38 The non health related provisions are predominantly due to concessionary fuel scheme where the Department has assumed the liability to provide either solid fuel or a cash alternative to former employees of the British Coal Corporation and their widows. During 2009–10, the average number of beneficiaries in receipt of entitlements was nearly 87,000, of which around 70,000 have opted for the cash alternative. The concessionary fuel provision is valued at £486m at 31 March 2010 (31 March 2009: £461m) which has increased by £84m (2008–09: £123m) due to the effects of increased fuel prices on the valuation and unwinding of discount, offset by cash payments of £59m (2008–09: £48m).

2.39 Other non-health related provisions include the environmental remedial obligations at two former coalfield sites and the related administration costs of the concessionary fuel and site restoration liabilities. Other non-health related provisions amounting to £71m as at 31 March 2010 (31 March 2009: £69m) include site restoration of Avenue Cokeworks and Grassmoor Lagoons sites, both near Chesterfield and administration of non-health related liabilities and indemnities.

Cash Flow Statement

2.40 The amount of cash required to fund the Department's activities during 2009–10 was £3,260m (2008–09: £2,866m) compared to an Estimate of £3,354m, a saving of £94m. The saving was due to the following factors:

- the saving of the Net Resource Outturn of £54m;
- capital expenditure of £5m, mainly IT equipment, compared to nil estimate;
- reduced capital expenditure of £102m due to the decision not to proceed with a proposed contribution to the EU Infrastructure Fund;
- changes in working capital other than cash of £108m, mainly due to increased accruals relating to the Energy Efficiency loans scheme and the Warm Front scheme;
- non-cash items were £136m less than the estimate mainly due to inclusion of the £161m land sale proceeds within non-cash to offset the recognition of the proceeds as non operating appropriation in aid for consistency with the estimate; and
- use of provisions was £26m higher than the estimate due to higher than forecast payments for the established coal health liabilities.

2.41 The cash flow statement has been re-presented in line with IFRS as noted above. Additionally the 2008-09 figures have been restated to remove the cash flows and the year-end cash balance relating to the EU Emissions Trading Scheme receipts as shown in Note 35. These cash flows are now presented within a separate Trust Statement in accordance with a separate Treasury Accounts Direction.

Statement of Net Operating Costs by Departmental Strategic Objectives

2.42 The Statement of Net Operating Costs by Departmental Strategic Objectives shows how resources, as set out in the Operating Cost Statement, have been deployed to each of the Departmental Strategic Objectives (DSOs).

2.43 The Department's DSOs were revised in November 2009 from the three DSOs inherited from the legacy departments to seven new DSOs.

Other information

Risks and uncertainties

2.44 The Management Board regularly review the Department's principal risk that might impact on the organisation's position, either in the immediate or long term future. The overall risk policy is summarised in the Statement on Internal Control. The key element is an active management of the risks with mitigating actions planned and implemented in response to the risks once they have been identified. The responsibility for risk management is held not only by the Management Board but also by other levels of management down through individual programmes and projects.

2.45 During the year, the risks that the Department has faced have included the economic down-turn and international political sentiment in the run-up to the Copenhagen conference on climate change. Financial risks have included the potential impact of the Nuclear Decommissioning Authority's volatile incomes from its generating business. The Department also has to contribute to the management of longer term risks, for example risks to the overall security and resilience of the energy supply market in the UK and the risks inherent in technologies such as nuclear power and offshore drilling and wind generation.

Liquidity, interest and currency risks

2.46 The Department has no borrowings and relies primarily on voted funds from Parliament for its cash requirements. It is therefore not exposed to liquidity risk. It has no material deposits so it is not exposed to interest rate risk and all material assets and liabilities are denominated in sterling so it is not exposed to material currency risk. Further disclosures are provided in Note 27.4 to the Resource Accounts. Some items on the Balance Sheet are discounted using rates specified by HM Treasury, specifically Financial Assets and Provisions. HM Treasury vary these discount rates from time to time which will affect the value of these assets and liabilities on the Balance Sheet.

Contingent liabilities

2.47 Under Parliamentary reporting requirements, the Department discloses contingent liabilities which, by their remoteness, do not fall within the scope of IAS37 Provisions, contingent liabilities and contingent assets. These fall into two categories, those which are quantifiable and those which are unquantifiable; details of both of these are given in Note 29 to the Resource Accounts.

Research and development

2.48 The Department's policies and decision-making on climate change and energy, both nationally and internationally, need to be underpinned by timely and sound scientific analysis and evidence. This analysis is provided through a team of in-house scientists working closely with policy teams. The Department directly funds a wide range of climate change research to inform UK policy development. The Department's research contributes to the science base for the Intergovernmental Panel on Climate Change (IPCC) and supports negotiations on international action on climate change through the United Nations Framework Convention on Climate Change (UNFCCC).

Personal data

2.49 The procedures carried out by the Department relating to data handling and security arrangements are noted in the final section of the Statement on Internal Control in Chapter 3. There have been no reported incidences of lost personal data.

Events after the reporting period

2.50 Details of events after the reporting period are given in Note 32 to the Resource Accounts. There were no significant events after the reporting period.

Going concern

2.51 In common with other Government departments, the future financing of the Department's liabilities is to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. Such approval for amounts required for 2010–11 has been voted on account already and the Consolidated Fund (Appropriation) Bill is due to be put before Parliament on 20 July 2010; there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Pension liabilities

2.52 The Department's staff can become members of one of the Principal Civil Service Pension Schemes (PCSPS). The Department's employer's contributions into the Schemes are reflected in the Resource Accounts within staff costs.

2.53 The PCSPS are unfunded multi-employer defined benefit schemes and the Department is consequently unable to identify its share of the underlying assets and liabilities. There is therefore no reflection of the Schemes on the Department's Balance Sheet. Further details can be found in Note 10 to the Resource Accounts and in the Remuneration Report in Chapter 1.

2.54 It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Department provides to employees.

Employee sickness absence data

2.55 The Department encourages a culture where good attendance is expected and valued. However, it recognises that from time to time absences for medical reasons may be unavoidable. The Department aims to treat its staff who are ill with sympathy and fairness and where possible to provide them with support which will enable them to recover their health and work regularly. In 2009–10, the average number of working days lost was 4.4 days (2008–09: 3.3 days) per annum per employee. This compares favourably with the public sector average of 8.7 days (2008–09: 9.0 days) per annum per employee.

Charitable donations

2.56 There were no charitable donations in excess of £200 in aggregate made by the Department.

Payment of suppliers

2.57 The Department's policy is to comply with the Institute of Credit Management's Prompt Payment Code, and in February 2009 the Department became an approved signatory to the Code. Whilst the Department's standard terms and conditions for the supply of goods or services specify payment within 30 days of receipt of a valid invoice the Department aims to pay all valid invoices within 10 days of receipt. This is in line with the commitment made by the then Prime Minister on 8 October 2008. For the year 2009–10 99.1% (2008–09: 99.8%) of undisputed invoices were paid within the 30 day target and 92.9% (2008–09: 91.2%) of undisputed invoices were paid within 10 working days.

Auditors

2.58 These financial statements and the accompanying Trust Statement have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinions are on pages 51 to 52 and pages 123 to 124. The notional cost to the Department of the external audit of the financial statements by the National Audit Office for the C&AG was £175,000 (2008–09: £200,000) with an additional notional cost to the department of £15,000 (2008–09: £Nil) for the audit of the Department's restatement of its 2008–09 accounts due to the first time adoption of IFRS. There were no fees in respect of non-audit work.

2.59 Drawing upon NAO reports, the Committee of Public Accounts published two reports focused on the Department's work in 2009–10, as follows:

- The Warm Front Scheme (39th Report of 2008–09, HC 350, 24 July 2009). The Committee reported that it was unlikely that targets to eradicate fuel poverty, as far as reasonably practicable, from all vulnerable households by 2010 and in all households by 2016 would be met. The Committee concluded that the Department should clarify the primary focus of the Scheme and determine if there is scope to improve targeting to enable more of those in fuel poverty to be reached by it.
- The sale of the Government's interest in British Energy (22nd Report of 2009–10, HC 356, 24 March 2010). The Committee concluded that the Department received a good price as it had sold the Government's 36 per cent interest in British Energy to EDF when energy prices were at a peak. Going forwards, the Committee identified a need for a more systematic approach to assessing how and when new generating capacity will be delivered, and for contingency plans showing how energy demands will be met if EDF does not proceed with its plans to build new nuclear power stations. It also concluded that in future sales, departments should ask advisors to propose alternatives to success fees.

2.60 The NAO also reported on the Department's activities, as follows:

- The sale of the Government's interest in British Energy (HC 215 2009–2010, 22 January 2010). The report examined the management of the sale of the Government's 36 per cent interest in British Energy, which raised £4.4 billion, and the extent to which the Government met its strategic objectives for the sale. The report found that the Government had so far received good value from the sale of its interest in British Energy, with EDF's final offer of 774 pence per share reflecting the influence of the main private sector shareholders on British Energy's board to get EDF to raise its offer above 705 pence, and also prevailing market conditions. The report also found that British Energy had been sold to a credible nuclear operator with the capability to build new nuclear power stations. However, the sale will not necessarily lead to new nuclear power being built in the UK as this depends on other influences such as planning decisions and EDF's future strategic priorities.
- Government funding for developing renewable energy technologies (HC 35, Session 2010–2011, 10 June 2010). The report examined the delivery and performance of direct support for the development, demonstration and deployment of renewable energy technologies, focusing on electricity and heat generating technologies. It found that expenditure totalling £265 million since 2000 had contributed to an increase in renewable energy generation and advances in renewable energy technologies. The co-ordination of direct support had, however, been limited and the overall value for money of the support that had been provided could not therefore be demonstrated. The report found that the Department had taken steps to improve the legacy it inherited, having developed a renewable energy strategy and commenced work on preparing a supporting delivery plan.

Disclosure of audit information

2.61 As Accounting Officer, as far as I am aware there is no relevant audit information of which the Department's auditors are unaware. I have taken all of the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

Moira Wallace
Principal Accounting Officer and Permanent Secretary
16 July 2010

Chapter 3

Resource Accounts

Statement of Accounting Officer's responsibilities

3.1 Under the Government Resources and Accounts Act 2000, HM Treasury has directed the Department of Energy and Climate Change (the Department) to prepare, for each financial year, resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department and of its net resource outturn, resources applied to objectives, recognised gains and losses and cash flows for the financial year.

3.2 In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by HM Treasury including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

3.3 HM Treasury has appointed the Permanent Secretary of the Department as Accounting Officer of the Department. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department of Energy and Climate Change's assets, are set out in *Managing Public Money* as published by HM Treasury.

Statement on Internal Control

Scope of responsibility

3.4 **As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Department of Energy and Climate Change's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in "Managing Public Money".**

3.5 The Department is responsible for all aspects of UK energy policy, and for tackling global climate change. Our Departmental Strategic Objectives (DSOs) were changed in the year, following Treasury's approval on 20 November 2009. Our DSOs are as follows:

- Secure global commitments which prevent dangerous climate change.
- Reduce greenhouse gas emissions in the UK.
- Ensure secure energy supplies.
- Promote fairness through our climate and energy policies at home and abroad.
- Ensure that the UK benefits from the business and employment opportunities of a low carbon future.
- Manage energy liabilities effectively and safely.
- Develop the Department's capability, delivery systems and relationships so that we serve the public effectively.

3.6 Until 20 November 2009, the Department's DSOs were as follows:

- Climate change tackled internationally and through domestic action to reduce greenhouse gas emissions.
- Ensure the reliable supply and efficient use of clean, safe and competitively priced energy.
- Manage energy liabilities effectively and responsibly.

3.7 In supporting Ministers in pursuit of this, I am supported by:

The Departmental Management Board which I chair. It comprises the four Directors General and the Chief Scientific Advisor, together with the Directors of Strategy, Finance, HR, and Communications and two non-Executive Directors who were appointed to the Board in October 2009. The Board currently meets monthly, and provides strategic leadership to the Department. Specifically its role is to define the Department's vision, mission, objectives, targets and strategy; to allocate resources, make major investment decisions, and approve business plans; to oversee overall performance, including on financial and risk management; to ensure close and effective working with Ministers, external stakeholders and delivery partners; to ensure that staff development, talent management and reward are effective; to ensure a high quality working environment; and to be effective in influencing the wider Government agenda and to contribute effectively to wider Civil Service leadership.

3.8 The governance framework has been developing throughout the year and the Board has four sub-committees to which it delegates work, each of which reports back on decisions taken. The sub-committees are Operations, Audit, Strategy and Pay and Performance:

- The **Operations Sub-Committee** is chaired by the Director General of Corporate and Professional Services Group (CPS). Its role is to consider major aspects of the Department's management and operations and, taking into account DECC's values, make recommendations to the Management Board on key corporate matters in support of DECC's mission and objectives. It was established in August 2009, replacing the Strategic Design Board, also chaired by the Director General of CPS (then named Corporate Support and Shared Services (CSSS)), set up to involve DECC staff in making decisions on DECC's development, particularly around the corporate centre.

- The **Audit Committee** was formally established in February 2010. It is chaired by a Non-Executive Director, who is also a member of the Departmental Management Board. Membership also includes four additional non-executive members. The Finance Director attends every meeting, and I also prioritise attendance (although I may not always be able to attend). Each meeting includes representatives from Internal Audit and the National Audit Office. The Committee supports the Management Board to ensure a financially sound and efficient organisation and reviews the effectiveness of the risk management framework established by management.

- Prior to the establishment of the formal Audit Committee, DECC established a Resource Accounts Sub-Committee. Its principal role was to oversee the preparation and review of the Department's Resource Accounts and the delivery of the audit plan prior to the establishment of an Audit Committee. This interim Committee was chaired by the then Director General of Energy Markets and Infrastructure Group and subsequently by the newly appointed Chairman of the Audit Committee; it included one external member. The external member was subsequently appointed to the Audit Committee, providing important continuity. While the interim Committee did not undertake the full remit of the Audit Committee, it provided strong external challenge and scrutiny, and its effectiveness can be evidenced.

- The **Strategy Board**, which I chair and whose membership consists of the four Directors General and the Chief Scientific Advisor, together with the Directors of Strategy, Energy Strategy and Futures, Finance and Communications, the Chief Economist and the Department's Special Advisors and Non-Executive Directors. This committee was established in April 2009. In the short-term its objective was to oversee the production of a Strategy Statement (White Paper) in summer 2009. In the long-term its aim is to drive a high quality departmental policy work programme and to facilitate the delivery of the Department's objectives.

- The **Pay and Performance Sub-Committee**, which I chair and comprises the four Directors General and the HR Director. An independent member will be appointed during the year 2010-11. This has been established to determine the Department's Senior Civil Service (SCS) pay strategy; assess the relative contribution or performance of its SCS members; authorise decisions on individual pay awards; and ensure the average cost increases are affordable and justifiable.

3.9 The Secretariat ensures the continuity of the work of the Management Board and its sub-committees by managing the Board and sub-committee agendas and providing strategic input; in addition members of the Secretariat take minutes, and record follow-up on decisions and action points.

3.10 I work with Ministers and the Department's senior management through the Management Board, other meetings and correspondence.

3.11 The Director General, Energy Markets and Infrastructure has DECC Management Board responsibility for financial issues relating to the Nuclear Decommissioning Authority (NDA), supported by the DECC Finance Director. The Shareholder Executive is responsible for advising the department on NDA governance and operational issues. The NDA's net expenditure represents over half of DECC's total budget, and the engagement of the Shareholder Executive strengthens the governance and scrutiny arrangements, and brings in the specialist skills needed to engage with an organisation of this complexity.

The purpose of the system of internal control

3.12 **The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives; to evaluate the likelihood of those risks being realised, and the impact should they be realised; and to manage them efficiently, effectively and economically. The system of internal control has been in place and progressively improved in the Department for the year ended 31 March 2010 and up to the date of approval of the Resource Accounts, and now accords with Treasury guidance.**

3.13 During 2009-10 the Department has built on the control systems established in the first year of operation. We recognised some initial weaknesses in management information and reporting systems, and these weaknesses were reflected in the findings of the auditors and from our own internal feedback from Directors General and budget holders. We have worked during the year to improve both the quality and quantity of HR and financial management information, aiming to strongly underpin effective management and decision making. Since the end of the year we have drafted a suite of procedures and guidance. These are designed to bring clarity to those with financial responsibilities and further embed strong financial discipline. These will be issued for use in 2010-11. Further changes are planned as part of a continuous improvement programme; because effective organisations should always be seeking opportunities for further incremental improvement.

3.14 The Department continues to make use of shared services arrangements with the predecessor departments. We have worked this year to strengthen the management of our arrangements with providers and ensure that our shared services are effective and represent good value for money. Financial processes have been significantly simplified by the adoption in August 2009 of the Department for Business, Innovation and Skills finance systems for all financial processes. New Memoranda of Understanding were signed in March 2010. All end to end processes have been mapped in detail, and this is being used to further improve our processes.

Capacity to handle risk

3.15 The Department has clearly articulated the key risks to achieving its objectives and recognises the importance of having a consistent approach to managing them across the organisation. The Management Board has considered a top-level Strategic Risk Register on a quarterly basis since June 2009. The Strategic Risk Register includes the top ten cross-cutting risks to the Department's objectives and is actively reviewed and discussed at Board level. The Board also has visibility of the top risks being managed at group level. The Strategic Risk Register is compiled from risk registers at group level within the Department and these in turn build on risk management processes in individual programmes and projects.

3.16 The Board's discussions of risks are designed to lead to the development of new mitigating actions whereby the risks are successfully reduced. The risks that have been considered by the Management Board during the year have included a strong focus on risks to the delivery of major projects within the Department. These major projects include ensuring secure energy supplies, working to deliver the UK's carbon budgets, and continuing to manage and reduce the UK's historic energy liabilities.

3.17 The Audit Committee agreed at its first meeting in March 2010 to take responsibility for assessing the Department's risk policy and its effectiveness. It now sees the latest agreed version of the Strategic Risk Register at every meeting.

3.18 The Department has also established a Risk Group including the managers of high-level risk registers within the Department. This group is responsible for disseminating the risk framework and spreading good practice throughout the Department.

The risk and control framework

3.19 The risk management framework for the Department operates through the initial identification of risks which threaten the achievement of the Department's objectives. These risks are then evaluated for impact and probability. Consideration is then given to the actions required to effectively manage or mitigate each risk. This process establishes the level of risk to which the

Department is exposed and which is monitored over time as part of performance management. Ownership for each risk is assigned to a named individual. Assurance that risk mitigation activities are appropriate is obtained through regular management reviews and Internal Audits of the key activities undertaken in the Department.

3.20 Despite the Management Board's strong focus on risk, it recognises that improvements can still be made to DECC's risk management framework. For example, the Department needs to better articulate its risk appetite, and ensure that it carries an acceptable level of residual risk. The Audit Committee will bring a useful external perspective as we review our risk management arrangements next year. During 2010-11 we plan to further embed risk identification and assessment into the early stages of key decision making processes such as business planning and performance management, policy making and project management.

3.21 Information risks are subject to the same risk management arrangements to ensure a common and consistent approach to all risks within the Department. The Department has a Senior Information Risk Owner (SIRO) and Departmental Security Officer. The Department has undertaken activities to strengthen its security environment, including completion by its staff of mandatory e-learning training on protecting information; introducing a new corporate IT infrastructure to support DECC in a manner consistent with Government security requirements; producing and publicising security policies and procedures and undertaking security awareness activities to support its staff. To maximise the security of the Department's data requires culture change as well as strong processes and procedures and we recognise that further work is required to fully embed Information Assurance (IA) good practice. This involves the formal endorsement of the IA strategy, and associated IA cultural plan, to provide a framework across the Department's Partner Organisations for ensuring IA practice matures.

3.22 There have been no personal data incidents since the creation of the Department.

Review of effectiveness

3.23 **As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Department who have responsibility for the development and maintenance of the internal control framework; and comments made by the external auditors in their management letter and other reports. The Audit Committee also provides me with further assurance.**
My review has provided me with assurance that the system of internal control in operation in the Department throughout the year had sufficient strengths but some weaknesses needed to be addressed. In such cases improvements have been made during the year and plans developed to further strengthen controls in 2010–11.

3.24 The effectiveness of the system of internal control is reviewed annually by my Directors General who each provide me with a Statement on Risk Management, Internal Control and Corporate Governance for their Group, informed by returns or opinions they themselves received from their Heads of Management Units through formal reviews. The Head of Internal Audit and the Chair of the Audit Committee review each Statement with the relevant Director General and discuss the key findings with me.

3.25 The Department's Delivery Partners also conduct a review of the effectiveness of internal control in preparing a Statement on Internal Control for the Annual Accounts. A similar process is applied to that in the Department, and the signed statements from each Chief Executive form part of the Department's overall assurance on internal control.

3.26 The Department also has clear arrangements for monitoring those sponsored bodies which are not consolidated into the Departmental Resource Accounts but where these bodies participate in the delivery of Departmental objectives. Monitoring arrangements are in place as needed for other bodies where the Department has policy lead within Government. We use the specialist skills of the Shareholder Executive to strengthen our governance of the NDA. This year the Shareholder Executive also carried out a review of the governance and monitoring arrangements for the Coal Authority and found them to be sound. We have also established this year a forum which we call the "DECC Finance Family", which brings together all of our executive NDPBs to ensure there is consistency and clarity on a range of financial issues. This year there has been a focus on issues arising from the implementation of IFRS, and planning for the future changes that will arise from Clear Line of Sight (HM Treasury's project to align Budgets, Estimates and Resource Accounts).

3.27 Our internal audit programme is designed specifically to identify control weaknesses, and make recommendations for improvement. No organisation is without weakness and we welcome the assurance that the audit programme provides. This statement sets out the main audit findings, and how they have been addressed.

3.28 The Head of Internal Audit has provided me with an Annual Report which incorporates an opinion on DECC's system of internal control. This opinion takes account of the residual risk carried by the Department during 2009-10 and of the findings of audit reviews. The auditors issue one of three opinion ratings: satisfactory, improvement required, and unsatisfactory. In 2009-10 the auditors assessment was that there was "improvement required" at DECC. We accept this assessment and are working to make the improvements suggested by internal audit in their reports for the year.

3.29 Internal Audit operates in accordance with the Government Internal Audit Standards. The audit programme is informed by the Department's key risks and regular reports are submitted on the adequacy and effectiveness of internal control together with recommendations for improvement. Where weaknesses in the control environment have been identified this year, action to strengthen control has been taken or is planned. Some of the key weaknesses are set out in this statement, together with the action we have taken to address them.

3.30 We recognised, and our auditors confirmed, some weaknesses in our processes and procedures. Improvements needed to be made to headcount and payroll monitoring processes, where there were problems with management information and reporting. These problems were addressed towards the end of the year, and some retrospective work was undertaken to provide assurance over the figures that have been reported for the year as a whole. New processes have been introduced and existing controls tightened to ensure that such issues do not recur. Some weaknesses were also identified in the budgeting and forecasting procedures. Improvements to the processes and additional controls have been introduced in line with internal audit recommendations.

3.31 Since its creation in 2008 the Department has worked to establish a comprehensive system of corporate governance, internal control and risk management. This work is not yet complete, and there will be a focus on making improvements next year in three key areas. DECC's performance management system will continue to be refined and embedded to track delivery and enable rigorous challenge. The Department is introducing stronger project management disciplines, including controls over project initiation. We are creating an Approvals Committee to govern this. Finally, DECC will continue work to develop its delivery capability and skills.

3.32 Where audit recommendations have been made, the Department has either taken immediate action to make improvements, or agreed implementation timescales with the auditors. We monitor progress on implementing audit recommendations throughout the year and provide regular updates to the Audit Committee.

3.33 In addition to the internal audit plan, the National Audit Office (NAO) also produces a number of value for money reports. This work identifies opportunities for DECC to make improvements and, along with Office of Government Commerce gateway reviews, provide me with assurance that DECC is getting the most out of its major programmes. Where recommendations are made by the NAO, and subsequently scrutinised by the Public Accounts Committee, remedial action has either been implemented or is in progress.

Other matters relevant to my statement

3.34 Our sponsorship arrangements provide me with confidence that there are no significant internal control problems in the Department's sponsored Non Departmental Public Bodies and Delivery Partners that impact on the Department's Resource Accounts. The NDA is the Department's most significant partner. The Shareholder Executive is closely involved in the governance of the NDA on behalf of the Department and the Head of Internal Audit attends the NDA Audit Committee, which gives visibility of the NDA's identification and management of emerging risks and issues. In 2009-10 Internal Audit conducted a review of the governance and financial control over the NDA in order to provide assurance over the arrangements for maintaining oversight of the NDA's governance and finances, which include its own internal audit function. The report concluded that the risk and control environment is generally sound, though there are inevitably some weaknesses that should be addressed to reduce residual risk to delivery and improve efficiency and effectiveness. The report also notes that there have been a number of significant improvements to the effectiveness of the governance processes providing greater visibility of NDA business and associated risks at both DECC Board and Ministerial level.

Moira Wallace
Principal Accounting Officer and Permanent Secretary
16 July 2010

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Department of Energy and Climate Change for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. These comprise the Statement of Parliamentary Supply, the Operating Cost Statement and the Statement of Financial Position, the Statement of Cashflows, the Statement of Changes in Taxpayer's Equity, the Statement of Net Operating Costs by Departmental Strategic Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2010 and of its net cash requirement, net resource outturn, net operating cost, net operating costs applied to departmental strategic objectives, changes in taxpayers' equity and cash flows for the year then ended; and

- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Structure and Ministerial Responsibilities and Environmental Sustainability sections within Chapter 1, the Financial Review of the Resource Accounts and Other Information sections within Chapter 2, and Annex 5 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria
London
SW1W 9SP

22 July 2010

Statement of Parliamentary Supply

Summary of Resource Outturn 2009–10

								2009–10 £'000	2008–09 £'000
				Estimate			Outturn		Outturn
Request for Resources	**Note**	**Gross Expenditure**	**A-in-A**	**Net Total**	**Gross Expenditure**	**A-in-A**	**Net Total**	**Net Total Outturn compared with Estimate: saving/ (excess)**	**Net Total**
RfR 1	3	4,271,241	(1,182,040)	3,089,201	4,217,001	(1,182,040)	3,034,961	54,240	2,739,656
Total resources	3	**4,271,241**	**(1,182,040)**	**3,089,201**	**4,217,001**	**(1,182,040)**	3,034,961	**54,240**	2,739,656
Non Operating cost A-in-A	8	**–**	**(161,000)**	**(161,000)**	**–**	**(160,936)**	(160,936)	**(64)**	–

Net cash requirement 2009–10

				2009–10 £'000	2008–09 £'000
	Note	**Estimate**	**Outturn**	**Net Total Outturn compared with Estimate: saving/ (excess)**	**Outturn**
Net cash requirement	5	3,353,858	3,260,098	93,760	2,865,982

Summary of income payable to the Consolidated Fund

In addition to Appropriations in Aid (A in A), the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

			2009–10 £'000 Forecast		2009–10 £'000 Outturn
	Note	Income	*Receipts*	Income	*Receipts*
Total	6	459,997	*459,997*	535,468	*635,216*

Further details and explanations of the variation between Estimate and Outturn are given in the Financial Overview section of this report.

The Notes on pages 59 to 116 form part of these Accounts.

Operating Cost Statement

for the year ended 31 March 2010

				2009–10 £'000	**Restated 2008–09 £'000**
	Note	Staff costs	Other costs	Income	Total
Administration costs					
Staff costs	10	58,694			54,268
Other administration costs	11		42,836		35,640
Income	15			(1,179)	(1,636)
Programme costs					
Staff costs	10	4,052			1,396
Programme costs	12		4,281,570		3,993,559
Income	15			(1,481,757)	(1,987,781)
Totals		**62,746**	**4,324,406**	**(1,482,936)**	
Net Operating cost	**4.1**			**2,904,216**	**2,095,446**

All income and expenditure is derived from continuing operations.

The Notes on pages 59 to 116 form part of these Accounts.

Statement of Financial Position

as at 31 March 2010

	Note	31 March 2010 £'000	Restated 31 March 2009 £'000	Restated 1 April 2008 £'000
Non-current assets				
Property, plant and equipment	16	8,426	4,711	5,893
Financial assets	17	646,227	469,580	2,972,927
Total non-current assets		654,653	474,291	2,978,820
Current assets				
Trade and other receivables	18	109,664	153,885	130,913
Financial assets	17	97,216	417,540	279,000
Cash and cash equivalents	19	272,529	661,902	262,291
Total current assets		479,409	1,233,327	672,204
Total assets		1,134,062	1,707,618	3,651,024
Current liabilities				
Trade and other payables	20	(618,188)	(943,901)	(345,000)
Provisions				
Coal	21	(123,155)	(191,141)	(361,100)
Nuclear	22	(214,031)	(204,915)	(205,700)
Total current liabilities		(955,374)	(1,339,957)	(911,800)
Non-current assets less net current liabilities		178,688	367,661	2,739,224
Non-current liabilities				
Trade and other payables	20	(264)	–	–
Provisions				
Coal	21	(516,847)	(534,522)	(466,854)
Nuclear	22	(1,865,660)	(1,948,251)	(2,114,784)
Total non-current liabilities		(2,382,771)	(2,482,773)	(2,581,638)
Assets less liabilities		**(2,204,083)**	**(2,115,112)**	**157,586**
Taxpayers' equity				
General fund		(2,853,664)	(3,002,232)	(3,033,657)
Revaluation reserve		649,581	887,120	3,191,243
Total taxpayers' equity		**(2,204,083)**	**(2,115,112)**	**157,586**

Moira Wallace
Principal Accounting Officer and Permanent Secretary
16 July 2010

The Notes on pages 59 to 116 form part of these Accounts.

Statement of Cash Flows

for the year ended 31 March 2010

	Note	2009–10 £'000	Restated 2008–09 £'000
Cash flows from operating activities			
Net operating cost	4.1	(2,904,216)	(2,095,446)
Adjustments for non-cash transactions	13, 15	40,855	289,256
(Increase)/decrease in trade and other receivables	18	44,221	(22,972)
Movements in receivables relating to items not passing through the Operating Cost Statement		(34,632)	101,379
Increase/(decrease) in trade and other payables	20	(325,449)	598,901
Movements in payables relating to items not passing through the Operating Cost Statement		350,789	(501,043)
Use of provisions	5	(427,494)	(591,671)
Net cash outflow from Operating Activities		**(3,255,926)**	**(2,221,596)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(4,404)	-
Proceeds of disposal of property, plant and equipment		160,936	-
Energy Efficiency Loans advanced to other bodies		(29,958)	-
Net cash outflow from investing activities		**126,574**	-
Cash flows from financing activities			
From the Consolidated Fund (Supply) – current year		3,150,404	2,900,000
Net financing		**3,150,404**	**2,900,000**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**21,052**	**678,404**
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		504,471	243,325
Payments of amounts due to the Consolidated Fund		(916,121)	(522,136)
Net increase/(decrease)in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(390,598)**	**399,593**
Cash and cash equivalents at the beginning of the period	19	**661,884**	**262,291**
Cash and cash equivalents at the end of the period	19	**271,286**	**661,884**

The decrease in cash and cash equivalents comprises the movement in the cash balance and the movement in the overdraft as disclosed in Note 19.

The Notes on pages 59 to 116 form part of these Accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2010

	Note	General fund £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 31 March 2008		(3,031,849)	3,191,243	159,394
Changes in accounting policy on first time adoption of IFRS	2	(1,808)	–	(1,808)
Restated balance at 1 April 2008		**(3,033,657)**	**3,191,243**	**157,586**
Changes in taxpayers' equity for 2008–09				
Net gain/(loss) on revaluation of coal pensions investments	17.1	–	(2,085,807)	(2,085,807)
Release of previous coal pensions investments revaluation gains	17.1	–	(279,000)	(279,000)
Non-cash charges – cost of capital	13	(34,241)	–	(34,241)
Non-cash charges – auditors' remuneration	13	200	–	200
Transfer between reserves		(60,684)	60,684	–
Net operating cost for the year	4.1	(2,095,446)	–	(2,095,446)
Total recognised income and expense for 2008–09		(2,190,171)	(2,304,123)	(4,494,294)
Net parliamentary funding – drawn down		2,900,000	–	2,900,000
Net parliamentary funding – deemed		10,545	–	10,545
Supply payable adjustment	20	(44,563)	–	(44,563)
CFERs[1] payable to the Consolidated Fund	7	(644,386)	–	(644,386)
Restated Balance at 31 March 2009		**(3,002,232)**	**887,120**	**(2,115,112)**
Changes in taxpayers' equity for 2009–10				
Net gain/(loss) on revaluation of coal pensions investments	17.1	–	99,761	99,761
Release of previous coal pensions investments revaluation gains	17.1	–	(337,300)	(337,300)
Non-cash charges – cost of capital	13	(75,520)	–	(75,520)
Non-cash charges – auditors' remuneration	13	190	–	190
Net operating cost for the year	4.1	(2,904,216)	–	(2,904,216)
Total recognised income and expense for 2009–10		(2,979,546)	(237,539)	(3,217,085)
Net parliamentary funding – drawn down		3,150,404	–	3,150,404
Net parliamentary funding – deemed		44,563	–	44,563
Supply payable adjustment	18	65,131	–	65,131
CFERs[1] payable to the Consolidated Fund	6, 7	(130,745)	–	(130,745)
Amounts payable to Consolidated Fund arising from Energy Efficiency Loan repayments	9	(1,239)	–	(1,239)
Balance at 31 March 2010		**(2,853,664)**	**649,581**	**(2,204,083)**

1 Consolidated fund extra receipts.

The General fund represents the total assets less liabilities of the Department.

The Revaluation reserve reflects the cumulative balance of revaluation adjustments of the Coal Pensions Investments financial assets (see Note 17.1).

The Notes on pages 59 to 116 form part of these Accounts.

Statement of Net Operating Costs by Departmental Strategic Objectives

for the year ended 31 March 2010

Objective:	Gross Expenditure	Income	2009–10 £'000 Net Expenditure	2009–10 £'000 Total Assets	Gross Expenditure	Income	Restated 2008–09 £'000 Net Expenditure	Restated 2008–09 £'000 Total Assets
Secure global commitments which prevent dangerous climate change	125,710	(7)	125,703	15,953	125,172	(132)	125,040	40,354
Reduce greenhouse gas emissions in the UK	288,731	(1,348)	287,383	130,072	126,128	–	126,128	40,571
Ensure secure energy supplies	27,660	(5,220)	22,440	13,777	24,768	(4,592)	20,176	8,149
Promote fairness through our climate and energy policies at home and abroad	431,885	(9,215)	422,670	47,415	402,681	–	402,681	135,531
Ensure the UK benefits from the business and employment opportunities of a low carbon future	114,605	(40,226)	74,379	9,284	78,064	–	78,064	25,111
Manage energy liabilities effectively and safely	3,345,272	(1,425,593)	1,919,679	902,893	3,281,355	(1,983,058)	1,298,297	1,437,926
Develop the Department's capability, delivery systems and relationships so that we serve the public effectively	53,289	(1,327)	51,962	14,668	46,695	(1,635)	45,060	19,976
Net operating costs	**4,387,152**	**(1,482,936)**	**2,904,216**	**1,134,062**	**4,084,863**	**(1,989,417)**	**2,095,446**	**1,707,618**

During 2009-10 the Department changed its objectives from the three it inherited from the legacy Departments which were:

- climate change tackled internationally and through domestic action to reduce greenhouse gas emissions;
- to ensure the reliable supply and efficient use of clean, safe and competitively priced energy; and
- to manage energy liabilities effectively and responsibly.

The Notes on pages 59 to 116 form part of these Accounts.

Notes

1 Statement of accounting policies

These financial statements have been prepared in accordance with the 2009-10 *Government Financial Reporting Manual* (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department of Energy and Climate Change (the Department) for the purposes of giving a true and fair view has been selected. The particular policies adopted by the Department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare two additional primary statements. The *Statement of Parliamentary Supply* and supporting notes show Outturn against Estimate in terms of the net resource requirement and the net cash requirement. The *Statement of Net Operating Costs by Departmental Strategic Objectives* and supporting notes analyse the Department's income and expenditure by the objectives agreed with Ministers.

These Financial Statements are presented in pounds sterling, which is the functional currency of the Department.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of financial instruments, as described in note 1.5.

1.2 Property, plant and equipment

Assets are capitalised as property, plant and equipment if they are intended for use on a continuing basis and their original purchase cost, on an individual or group basis, is £2,000 or more. These assets are carried at fair value.

The Department does not hold any property assets. In accordance with the FReM, the Department has opted to value its non-property assets on a depreciated historical cost basis, as a proxy for fair value as these assets have short useful lives or are of low value.

1.3 Depreciation

Property, plant and equipment assets are depreciated at rates calculated to write them down to their estimated residual value on a straight line basis over their estimated useful lives. Assets are depreciated over the following periods:

Scientific equipment	5 to 15 years
Information Technology	2 to 12 years
Furniture, fixtures and fittings	5 years
Office machinery and equipment	5 to 11 years

Management reviews the residual values and estimated lives of property, plant and equipment at least annually at each reporting date.

Further details are provided in Note 16.

1.4 Impairment of property, plant and equipment

At each year end, the Department reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is assumed to equal the cost of replacing the service potential provided by the asset.

If the recoverable amount of an asset is estimated to be less than its carrying amount, then the asset is impaired and the carrying amount of the asset is reduced to its recoverable amount. Any impairment loss is immediately recognised in the operating cost statement.

1.5 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Department becomes a party to the contractual provisions of an instrument.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit and loss in which case transaction costs are charged to operating costs.

Financial assets are derecognised when the rights to receive future cash flows have expired or are transferred and the Department has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments is determined by reference to quoted market prices where an active market exists for the trade of these instruments.

The fair value of financial instruments which are not traded in an active market is determined using generally accepted valuation techniques including estimated discounted cash flows.

Financial assets

The Department classifies financial assets into the following four categories:

- Financial assets at fair value through profit or loss.
- Held-to-maturity investments.
- Loans and receivables; and
- Available-for-sale assets.

The categorisation depends on the purpose for which the financial asset is held or acquired. Management determines the categorisation of financial assets at initial recognition and re-evaluates this designation at each reporting date.

The Department holds financial assets in the following categories:

- Loans and receivables

  These are non-derivative financial assets with fixed or determinable payments that are not traded in an active market.

  Loans and receivables comprise cash and cash equivalents, loans under the interest free Energy Efficiency Loan Scheme and trade and other receivables in the Statement of Financial Position.

  Loans made under the interest free Energy Efficiency Loans Scheme are held at amortised cost using the Treasury's discount rate of 3.5%. The charge and credit arising from the discounting of the loan receivables and the unwinding of the discount are disclosed within programme non-cash expenditure and programme non-cash income. Appropriate allowances for estimated irrecoverable amounts are recognised in the operating cost statement when there is objective evidence that the asset is impaired.

  Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Bank overdraft amounts are included within Trade and other payables in the Statement of Financial Position.

  CFER debtors are carried at historical cost in accordance with the FReM. All other loans and receivables are measured at amortised cost after initial recognition. Since these balances are expected to be realised within twelve months of the reporting date there is no material difference between fair value, amortised cost and historical cost. Gains or losses when the asset is impaired or derecognised are recognised in the operating cost statement.

- Available-for-sale assets

  These are non derivative financial assets designated as such or not classified in any of the other categories above.

  Available-for-sale assets comprise the Coal Pensions Investments, which after initial recognition are measured at fair value.

  Gains and losses in fair value are recognised directly to Taxpayers' equity except where there is objective evidence that the asset is impaired. Impairment losses are recognised in the operating cost statement along with any cumulative losses previously recognised in Taxpayers' equity.

  On derecognition the cumulative gain or loss previously recognised in equity is recognised in the operating cost statement.

The Department holds a number of special and ordinary shares which are required to be accounted for in accordance with the FReM. Special shares are not recorded in the Statement of Financial Position and ordinary shares, which are interests in public bodies outside the departmental boundary, are valued at historical cost, less any impairments.

Financial liabilities

The Department classifies financial liabilities into the following two categories:

- Financial liabilities at fair value through profit or loss; and
- Other financial liabilities.

The categorisation depends on the purpose for which the financial liability is held or acquired. Management determines the categorisation of financial liabilities at initial recognition and re-evaluates this designation at each reporting date.

The Department holds financial liabilities in the following category:

- Other financial liabilities.

  Other financial liabilities comprise Trade and other payables in the Statement of Financial Position.

  CFER creditors and amounts issued from the Consolidated Fund for Supply but not spent at year end are carried at historical cost in accordance with the FReM. All other financial liabilities are measured at amortised cost after initial recognition. Since these balances are expected to be settled within twelve months of the reporting date there is no material difference between fair value, amortised cost and historical cost.

Risk management

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in managing risk than would apply to a non-public sector body of a similar size. Further information on the Department's management of and exposure to the risks associated with financial instruments is in Note 27.

1.6 Provisions

Provisions are recognised when the Department has a present obligation, legal or constructive, as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle that obligation.

Where the time value of money is material, the Department discounts the provision to its present value using a discount rate of 2.2%, the Government's standard rate. Each year the financing charges in the operating cost statement include the adjustments to unwind one year's discount so that liabilities are shown at current price levels.

1.7 Research and development

Expenditure on research is charged to the operating cost statement in the year in which it is incurred.

Development expenditure is capitalised as an internally generated intangible asset only if all of the following criteria are met:

- an asset can be identified;
- it is probable that future economic benefits attributable to the assets will flow in to the Department; and
- the cost can be measured reliably.

Property, plant and equipment and intangible assets acquired for use in research and development are depreciated or amortised over the life of the associated research project, or according to the asset category if the asset is to be used for subsequent production work.

1.8 Operating income

Operating income is income that relates directly to the operating activities of the Department and is recognised to the extent that it is probable that the economic benefits will flow to the Department and can be reliably measured. It comprises, principally, fees and charges for services provided, on a full cost basis, to external customers and public sector repayment work and dividends. Dividends are recognised when the Department's right to receive payment has been established. It also includes other income such as that from investments. It includes both income Appropriated-in-Aid and income collected by the Department on behalf of HM Treasury on an agency basis and payable to the Consolidated Fund. This income is known as Consolidated Fund Extra Receipts (CFERs).

The Department is required to identify those CFERs that are negative public expenditure (amounts used to reduce the amount of expenditure the Department would otherwise have to spend) and those revenue CFERs that relate to the recovery of costs recorded in the Operating Cost Statement, or to returns on investments. These types of CFERs are credited to the Operating Cost Statement as income to the Department. The remaining CFERs are not included in the Department's Operating Cost Statement and are accounted for through cash and payables.

1.9 Administration and programme expenditure and income

The Operating Cost Statement is analysed between administration and programme income and expenditure. Administration costs reflect the costs of running the Department, as defined under the Administration Cost-Control Regime, together with the associated operating income. Income is analysed in the notes between that which, under the Regime, is allowed to be offset against gross administration costs in determining the outturn against the Administration Budget, and that operating income which is not. Programme costs reflect non-administration costs, including payments of grants-in-aid, grants and other disbursements by the Department, in support of policy initiatives.

1.10 Grants payable

Grants payable are recognised in the period in which the grant recipient carries out the activity that creates an entitlement to the grant. Recognition of entitlement varies according to the details of individual schemes and the terms of the offers made.

Unpaid and unclaimed grants are charged to the Operating Cost Statement on the basis of estimates of claims not received and are included in accruals on the Statement of Financial Position.

In certain cases, grant contributions to international organisations are made in the form of promissory notes. The full amount of the promissory note is recognised as an expense in the period in which the note is deposited. Amounts not drawn down in cash from promissory notes at the year-end are included in Trade and other payables.

Grants payable to other government departments under the Energy Efficiency Loan Scheme are recognised and expensed through the operating cost statement when the grant is irrevocably committed.

1.11 Capital charge

A charge, reflecting the cost of capital utilised by the Department, is included in operating costs. The charge is calculated at the real rate set by HM Treasury, currently 3.5%, on the average carrying amount of all assets less liabilities, except for:

- property, plant and equipment and intangible assets, where the cost of capital charge is based on opening values, adjusted pro-rata for in-year movements;
- cash balances with the Government Banking Service (GBS), where the charge is nil; and
- amounts due from, or due to be surrendered to, the Consolidated Fund, where the charge or credit will be at a nil rate.

1.12 Foreign exchange

Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction. Monetary assets and liabilities denominated in foreign currency at the year-end are translated at the rates ruling at that date. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition are recognised in the operating cost statement in the period in which they arise.

1.13 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) as described at Note 10. The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the Department recognises the contributions payable for the year.

1.14 Taxation

The Department is exempt from income and corporation tax by way of its Crown exemption.

Value Added Tax (VAT) is accounted for by amounts being shown net of VAT except:

- irrecoverable VAT being charged to the Operating Cost Statement and included under the heading relevant to the type of expenditure; or
- irrecoverable VAT on the purchase of an asset being included in the capitalised purchase cost of the asset.

The net amount due to, or from, HM Revenue and Customs in respect of VAT is included within trade and other receivables and trade and other payables on the Statement of Financial Position.

1.15 Statement of Parliamentary Supply and the Statement of Net Operating Costs by Departmental Strategic Objectives

The information contained in the Statement of Parliamentary Supply and associated Notes is based on the Request for Resources information that forms part of the Parliamentary approval process. As directed by Treasury the Department has not prepared the 2008-09 comparative amounts on an IFRS basis.

The Statement of Net Operating Costs by Departmental Strategic Objectives reports expenditure and income for each of the Department's objectives. The differences between the Net Resource Outturn, as disclosed in the Statement of Parliamentary Supply and the Net Operating Costs, as disclosed in the Operating Cost Statement and the Statement of Net Operating Costs by Departmental Strategic Objectives, are disclosed in Note 4 to the accounts.

1.16 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are capitalised and included in property, plant and equipment at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

Rentals due under operating leases are charged to the Operating Cost Statement over the lease term on a straight-line basis, or on the basis of actual rentals payable where this fairly reflects the usage. Future payments, disclosed in Note 25.1, are not discounted.

1.17 Service Concessions

Service concession arrangements are assessed as to whether they are in the scope of IFRIC12: Service Concession Arrangements. Where an arrangement is within the scope of IFRIC12 the Department, as grantor, includes the infrastructure assets on the Statement of Financial Position as non-current assets and recognises the corresponding lease creditor. Costs relating to the service element or interest charges are expensed as they are incurred.

1.18 Contingent Assets and Liabilities

In addition to contingent liabilities or assets disclosed in accordance with *IAS37: Provisions, Contingent Liabilities and Contingent Assets*, the Department discloses for parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote. These comprise:

- items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the arrangement; and
- all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of the Accounts), which are required by the FReM to be noted in the Accounts.

Where the time value of money is material, contingent liabilities, which are required to be disclosed under IAS 37, are stated at discounted amounts and the amount reported to Parliament separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

In accordance with the FReM, the Department does not disclose any contingent liabilities of its Non Departmental Public Bodies that arise in the normal course of business.

1.19 Third-party assets

The Department holds, as custodian or trustee, certain cash balances at commercial banks belonging to third parties. These are not recognised in the accounts since neither the Department, nor Government more generally, has a direct beneficial interest in them.

1.20 Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The results form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that risk causing a material adjustment to the carrying values of assets and liabilities, within the next financial year, relate to:

- depreciation over estimated useful lives (Note 16);
- impairment of assets (Notes 11 and 16);
- provisions (Notes 21 and 22);
- the fair value of financial instruments (Notes 17 and 27);
- the treatment of service concessions (Notes 16 and 25); and
- the classification of leases (Note 25).

1.21 Restatement of prior year comparatives for first time adoption of IFRS and the separate reporting of EU Emissions Trading Scheme

The Department's accounts have been restated for the first time adoption of International Financial Reporting Standards and for the separate reporting of EU ETS auction receipts. The EU ETS auction receipts are now reported in the Trust Statement (produced alongside the Department's Resource Accounts). Further details on the restatement for IFRS and EU ETS scheme are given in Notes 2 and 35 respectively.

The 2008-09 comparatives have also been restated for minor reclassifications. Further details of these reclassifications are included in the relevant notes to these Accounts.

1.22 New standards

At the time of preparing these financial statements there are new IFRSs in issue but which are not yet effective. Further details on their application to DECC's accounts are given in Note 36 to these Accounts.

2 First time adoption of IFRS

The Department's financial statements for the year ended 31 March 2010 are the first financial statements that comply with IFRS as adapted and interpreted in the FReM for application in the government sector. The Department has applied IFRS1: First-time adoption of International Financial Reporting Standards, as interpreted by the FReM, in preparing these financial statements. The Department's IFRS transition date is 1 April 2008 and its opening Statement of Financial Position has been prepared at that date. The Department's IFRS adoption date is 1 April 2009 and the reporting date of these financial statements is 31 March 2010. As required by IFRS1 the Department's estimates under IFRS at 1 April 2008 are consistent with estimates made for the same date under UK Generally Accepted Accounting Practice for companies (UK GAAP).

Reconciliation of Taxpayers' Equity

The following table shows the changes in Taxpayers' Equity resulting from the transition from UK GAAP to IFRS as at 1 April 2008 and as at 31 March 2009.

	Note	General fund £'000	Revaluation reserve £'000
Taxpayers' equity at 31 March 2008 under UK GAAP		(3,031,849)	3,191,243
Adjusted for:			
IAS19: Employee Benefits	a	(1,808)	-
Restated balance at 1 April 2008 under IFRS		**(3,033,657)**	**3,191,243**

	Note	General fund £'000	Revaluation reserve £'000
Taxpayers' equity at 31 March 2009 under UK GAAP		(3,000,248)	887,120
Adjusted for:			
IAS19: Employee Benefits	a	(1,984)	-
Restated balance at 31 March 2009 under IFRS		**(3,002,232)**	**887,120**

Explanatory notes: Reconciliation of Taxpayers' Equity

a. Employee leave entitlements

Unused employee leave entitlements were not recognised as a liability under UK GAAP. IAS19 requires the Department to recognise employees' unused leave entitlements that can be carried forward at the year-end to the extent that the Department anticipates that it will be used by employees to cover future leave absences. The amount of unused employee leave liability recognised on transition to IFRS is £1,808,000 and at 31 March 2009 is £1,984,000.

Reconciliation of Net Operating Costs

The following table shows the changes in Net Operating Costs resulting from the transition from UK GAAP to IFRS for the year ended 31 March 2009.

	Note	Restated UK GAAP 2008–09 £'000	Effect of transition to IFRS 2008–09 £'000	IFRS 2008–09 £'000
Administration costs				
Staff costs	a	54,098[1]	170	54,268
Other administration costs		35,640[1]	–	35,640
Operating income		(1,636)	–	(1,636)
Programme costs				
Staff costs	a	1,390	6	1,396
Programme costs		3,993,559	–	3,993,559
Income		(1,987,781)	–	(1,987,781)
Net Operating cost		**2,095,270**	**176**	**2,095,446**

1 An amount of £3,861,000 for agency and contractor staff cost has been moved out of Other administration costs to Staff costs.

Explanatory notes: Reconciliation of Net Operating Costs

a. Employee leave liability

Represents the increase in the employees' unused leave liability which was not required to be recognised under UK GAAP.

Statement of Cash Flows

On transition to IFRS there have been no material adjustments to the statement of cash flows for the year ended 31 March 2009.

3 Analysis of net resource outturn by section

	Outturn						2009–10 £'000 Estimate		Restated 2008–09 £'000
Request for Resources 1 (RfR 1)	**Administration**	**Other Current**	**Grants**	**Gross Resource Expenditure**	**A in A**	**Net Total**	**Net Total**	**Net Total Outturn compared with Estimate**	**Prior Year Outturn**
Spending in Departmental Expenditure Limits (DEL)									
Central Government spending									
A Supporting affordable, secure and sustainable energy	-	33,055	54,223	**87,278**	(4,591)	82,687	**85,585**	2,898	71,620
B Managing historic energy liabilities effectively and responsibly	-	68,245	-	**68,245**	(1,174,823)	(1,106,578)	**(1,152,368)**	(45,790)	(1,234,511)
C Bringing about a low carbon UK	-	56,163	738,494	**794,657**	(1,343)	793,314	**761,487**	(31,827)	603,920
D Developing an international agreement on climate change	-	4,387	-	**4,387**	(104)	4,283	**5,910**	1,627	48,664
E Promoting low carbon technologies in developing countries	-	156	104,101	**104,257**	-	104,257	**107,830**	3,573	73,222
F Professional support and infrastructure	101,530	13,247	-	**114,777**	(1,179)	113,598	**109,125**	(4,473)	88,356
Spending in Annually Managed Expenditure (AME)									
Central Government spending									
G Managing historic energy liabilities effectively and responsibly	-	90,981	39,708	**130,689**	-	130,689	**152,924**	22,235	198,571
Non-Budget									
H Supporting affordable, secure and sustainable energy	-	97	15	**112**	-	112	**1**	(111)	-
I Managing historic energy liabilities effectively and responsibly	-	-	2,910,153	**2,910,153**	-	2,910,153	**3,014,329**	104,176	2,889,814
J Bringing about a low carbon UK	-	-	2,446	**2,446**	-	2,446	**4,378**	1,932	-
Resource Outturn	**101,530**	**266,331**	**3,849,140**	**4,217,001**	**(1,182,040)**	**3,034,961**	**3,089,201**	**54,240**	**2,739,656**

Data in the analysis of net resource outturn has been remapped between sub-heads after completion of an exercise to validate the mappings, the following movements have been reflected in the 2008-09 balances above: £48.8m remapped from Subhead A to Subhead C; £14.8m remapped from Subhead G to Subhead B; £1.4m from Subhead G to Subhead F; and other minor remappings.

The resource outturn for 2008-09 has continued to be presented on a UK GAAP basis, if presented on an IFRS basis the outturn would increase by £176,000 to £2,739,832,000 in relation to additional administration costs (Estimate Subhead F).

Explanations of variations between Estimate and Outturn are given in the Financial Overview section of this Report.

Key to Request for Resources

RfR1: Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK, securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; managing historic energy liabilities effectively and responsibly.

4 Reconciliation of outturn to net operating cost and against administration budget

4.1 Reconciliation of net resource outturn to net operating cost

				2009–10 £'000	Restated 2008–09 £'000
	Note	**Outturn**	**Supply Estimate**	**Outturn compared with Estimate**	**Outturn**
Net Resource Outturn	3, 5	**3,034,961**	**3,089,201**	**54,240**	**2,739,656**
Non-supply income (CFERs)	7	(130,745)	(62,697)	68,048	(644,386)
Adjustment for changes in accounting policy on first time adoption of IFRS		–	–	–	176
Net Operating Cost		**2,904,216**	**3,026,504**	**122,288**	**2,095,446**

4.2 Outturn against final administration budget

			2009–10 £'000	Restated 2008–09 £'000
	Note	**Budget**	**Outturn**	**Outturn**
Gross administration budget	3	105,836	101,530	89,908
Income allowable against the administration budget	15	(3,277)	(1,179)	(1,636)
Net outturn against final administration budget		**102,559**	**100,351**	**88,272**

5 Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate	Outturn	2009–10 Net Total Outturn compared with Estimate: saving/ (excess)
		£'000	£'000	£'000
Resource Outturn	3	3,089,201	3,034,961	54,240
Capital				
Acquisition of property, plant and equipment	16	–	5,189	(5,189)
Investments	12,17	200,500	102,375	98,125
Less Non-operating A-in-A				
Proceeds of asset disposal		(161,000)	(160,936)	(64)
Accruals adjustments				
Non-cash items	13,15	(176,456)	(40,855)	(135,601)
Changes in working capital other than cash		–	(107,866)	107,866
Changes in trade and other payables falling due after more than one year		–	(264)	264
Use of provisions	21, 22	401,613	427,494	(25,881)
Net cash requirement		**3,353,858**	**3,260,098**	**93,760**

Explanations for significant differences between the Outturn and Estimate are given in the Financial Overview section of this Report.

6 Analysis of income payable to the Consolidated Fund

In addition to Appropriations in Aid, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	Note	2009–10 £'000 Forecast		2009–10 £'000 Outturn	
		Income	Receipts	Income	Receipts
Operating income and receipts – excess A in A		-	-	68,578	*68,578*
Other operating income and receipts not classified as A in A	15	62,697	*62,697*	62,167	*62,167*
		62,697	*62,697*	130,745	*130,745*
Non-operating income and receipts – excess A in A		–	–	–	–
Non-operating income and receipts not classified as A in A	9	337,300	*337,300*	338,539	*438,539*
Other amounts collectable on behalf of the Consolidated Fund		60,000	*60,000*	66,184	*65,932*
Total income payable to the Consolidated Fund		**459,997**	459,997	**535,468**	635,216

The forecast is an estimate of the CFERs the Department expected to collect in 2009-10. However, CFERs do not form part of the departmental Supply Estimate and are not disclosed in the Statement of Parliamentary Supply.

A breakdown of other amounts payable to the Consolidated Fund is as follows:

	2009–10 £'000	Restated 2008–09 £'000
Receipt from the Coal Authority	283	1,156
Petroleum licences	65,878	64,583
Other	23	18
Total	**66,184**	**65,757**

The Department's accounts for 2008–09 disclosed £94,552,000 of income from the EU Emissions Trading Scheme which was paid to the Consolidated Fund. These receipts and payments to the Consolidated Fund are now brought to account in a separate Trust Statement which is published with the Department's Resource Accounts. Consequently, the comparatives above have been restated to remove these transactions. For further details see note 35.

7 Reconciliation of income recorded within the Operating Cost Statement to operating income payable to the Consolidated Fund

	Note	2009–10 £'000	2008–09 £'000
Operating income	15	(1,482,936)	(1,989,417)
Adjustments			
NDA land sale	15	160,936	–
Warmfront VAT recovery	15	9,215	–
Gross income		**(1,312,785)**	**(1,989,417)**
Less: Income authorised to be Appropriated in Aid	15	(1,182,040)	(1,345,031)
Operating income payable to the Consolidated Fund	4	**(130,745)**	**(644,386)**

*These income streams are permitted to be netted off the related expenditure in the Statement of Parliamentary Supply.

8 Non-operating income – Appropriations in Aid

	2009–10 £'000	2008–09 £'000
Proceeds from disposal of land	160,936	–
Non operating income	**160,936**	–

9 Non-operating income not classified as Appropriations in Aid

	2009–10 £'000 Income	2009–10 £'000 Receipts
Coal pensions investments surplus releases	337,300	437,300
Energy Efficiency loan repayments	1,239	1,239
Total	**338,539**	**438,539**

In accordance with Government's Guarantee arrangements with the Mineworkers' Pension Scheme (MPS) and the British Coal Staff Superannuation Scheme (BCSSS) the Department received £Nil (2008–09: £133.0m) from the Investments Reserves and £337.3m (2008–09: £146.0m) from the Guarantor's Funds of these Schemes. These amounts are not treated as income by the Department and are surrendered to the Consolidated Fund. Further details are contained in note 17.1.

The Energy Efficiency loan repayments arose as a result of entities repaying the loans advanced to them in the year. These receipts were payable to the Consolidated Fund as they were not included as Non Operating Appropriations in Aid in the Department's Main Estimate for 2009-10.

10 Staff numbers and related costs

Staff costs comprise:

	Permanently employed staff	Others	Ministers	Special advisers	2009–10 £'000 Total	Restated 2008–09 £'000 Total
Wages and salaries	44,214	6,052	227	165	50,658	45,112[1]
Social security costs	3,864	56	24	17	3,961	3,131
Other pension costs	8,523	76	–	40	8,639	7,559
Total	**56,601**	**6,184**	**251**	**222**	**63,258**	**55,802**
Less recoveries in respect of outward secondments	(512)	–	–	–	(512)	(138)
Total net costs	**56,089**	**6,184**	**251**	**222**	**62,746**	**55,664**

1 The wages and salaries figure for 2008-09 has been restated by an amount of £3,861,000 to include agency and contractor staff costs that were previously reflected under Professional services within the Administration Costs note.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme, but the Department of Energy and Climate Change is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009–10, employer contributions of £8,445,669 (2008–09: £7,191,976) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme's Actuary reviews employer contributions usually every four years following a full Scheme valuation. From 2010–11, the rates will be in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2009–10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £80,838 (2008–09: £36,827) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% (the rates in 2008–09 also ranged from 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £4,754, 0.8% (2008–09: 0.8%) of pensionable pay were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. There were £6,927 (2008-09: £Nil) contributions due to the partnership pension providers at the year end; there were no contributions prepaid at that date (2008–09:£Nil).

In 2009–10, no persons (2008–09: Nil persons) retired early on ill-health grounds. The total additional accrued pension liabilities in the year amounted to £Nil (2008–09: £Nil).

Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows:

					2009–10 Number	Restated 2008–09 Number
Departmental Strategic Objective	**Permanent staff**	**Others**	**Ministers**	**Special advisers**	**Total**	**Total**
Secure global commitments which prevent dangerous climate change	76.5	29.0	–	–	**105.5**	**85.8**
Reduce greenhouse gas emissions in the UK	302.0	42.0	–	–	**344.0**	**279.6**
Ensure secure energy supplies	267.1	8.5	–	–	**275.6**	**224.0**
Promote fairness through our climate and energy policies at home and abroad	52.6	4.3	–	–	**56.9**	**46.2**
Ensure the UK benefits from the business and employment opportunities of a low carbon future	12.4	0.5	–	–	**12.9**	**10.5**
Manage energy liabilities effectively and safely	82.4	21.9	–	–	**104.3**	**84.8**
Develop the department's capability, delivery systems and relationships so that we serve the public effectively	155.2	35.3	4.0	2.0	**196.5**	**159.7**
Total	**948.2**	**141.5**	**4.0**	**2.0**	**1,095.7**	**890.6**

Staff receivables

At 31 March 2010, 295 employees (31 March 2009: 208 employees) of the Department were in receipt of advances of travel and housing loans, repayable to the employer. The amount receivable is disclosed in Note 18.

11 Other administration costs

	Note	2009–10 £'000	Restated 2008–09 £'000
Rentals under operating leases:			
Plant and machinery		36	22[2]
Other		21	-
Interest charges		47	-
PFI service charges		4,453	-
Travel and subsistence		3,348	2,979
IT support		2,791	5,872
Training and other staff costs		1,901	3,357
Professional services		15,070	7,048[1]
Accommodation		8,865	7,914
Conference facilities		272	2,904
Other		4,180	3,926[2]
		40,984	**34,022**
Non-cash items			
Cost of capital		230	185
Depreciation	16	1,430	1,182
Impairment	16	2	-
Auditors' remuneration		190	200
Specific bad debt write off		-	51
Total non-cash		**1,852**	**1,618**
Total other administration costs		**42,836**	**35,640**

1 The Professional services figure for 2008-09 has been restated by an amount of £3,861,000 to remove the agency and contractor staff costs that are now reflected in Wages and salaries under the Staff costs Note.

2 The Plant and machinery rentals figure for 2008-09 has been restated by an amount of £113,000 to remove car hire charges now included within Other.

Auditors' remuneration represents the cost of the audit of the Department's restatement of its 2008–09 accounts due to first time adoption of IFRS and the annual audit of the 2009–10 accounts. The amounts charged were £15,000 and £175,000 respectively. There were no fees in respect of non-audit work.

Administration costs have increased compared to the previous year primarily due to further set-up costs involved in establishing DECC being incurred, particularly consultancy, accommodation, IT support and PFI service charges. In addition, the costs in 2009-10 include a full year of the recharged shared service arrangements compared to the six months in 2008-09 after DECC was formed.

12 Programme costs

	Note	2009–10 £'000	Restated 2008–09 £'000
Grant in Aid		3,073,535	2,889,729
Grants		877,847	615,240[1]
Rentals under operating leases:			
Plant and machinery		3	1
Other		127	109[2]
PFI Service Charge		558	–
Net loss on foreign exchange		299	1,946
Research and development		23,113	32,961[1]
International subscriptions		30,952	24,818
Other		75,197	141,117[2]
		4,081,631	**3,705,921**
Non-cash items			
Movement in provisions	21, 22	205,023	252,798
Unwinding of discount on provisions	21, 22	63,335	69,264
Cost of capital		(75,750)	(34,426)
Specific bad debt write off		15	2
Depreciation	16	42	–
Discount on interest free loans		7,274	–
Total non-cash		**199,939**	**287,638**
Total programme costs		**4,281,570**	**3,993,559**

1 Research and development for 2008-09 has been restated to remove £4,800,000 payments to Regional Development Agencies which is now shown under Grants. Also payments of £36,000,000 to Regional Development Agencies have been moved from Other to Grants for 2008-09.

2. The Other category of expenditure for 2008-09 has been restated by an amount of £109,000 to remove the cost of operating leases which is now shown under Rentals under operating leases: Other.

Grant in Aid includes £3,032m (2008-09:£2,850m) in respect of the Nuclear Decommissioning Authority which is presented gross of the commercial and NDA land sale income shown in Note 15. The net cost of funding the NDA was £1,629m (2008-09: £898m).

Included in the table above under Grants and Other is expenditure on the following schemes:

	2009–10 £'000	Restated 2008–09 £'000
Fuel Poverty	429,487	399,894
International Environmental Transformation Fund	100,000	50,000
National Environmental Transformation Fund	50,858	68,921
Boiler Scrappage	20,601	–
Energy Saving Trust	38,525	35,882
Regional Development Agencies	45,824	40,800
Global Threat Reduction Programme	36,044	35,943
Low Carbon buildings Programme	38,841	5,731
Carbon Budgets*	102,911	49,279
Carbon Capture and Storage	9,309	6,459
Energy Efficiency Loans	15,762	–
Other programme spend	64,882	63,448
	953,044	**756,357**

*Carbon Budgets includes spend on Low Carbon Investment Fund and elements of the Carbon Trust not reflected in other lines.

The amounts above for 2008-09 have been reclassified compared to the equivalent table shown in the 2008-09 accounts.

13 Administration and Programme non-cash costs summary

The total for non-cash costs in Note 11 (Other administration costs) and Note 12 (Programme costs) is as follows:

	Note	2009–10 £'000	2008–09 £'000
Movement in provisions	12	205,023	252,798
Unwinding of discount on provisions	12	63,335	69,264
Cost of capital	11, 12	(75,520)	(34,241)
Depreciation	11, 12	1,472	1,182
Discount on interest free loans	12	7,274	-
Impairments	11	2	-
Auditors' remuneration	11	190	200
Specific bad debt write off	11, 12	15	53
Total	5	**201,791**	**289,256**

14 Analysis of net operating cost by spending body

	2009–10 Budget £'000	2009–10 Outturn £'000	2008–09 Outturn £'000
Core Department	627,283	355,821	542,257
Non Departmental Public Bodies			
Nuclear Decommissioning Authority	1,647,252	1,629,000	898,000
Coal Authority	39,769	36,468	37,300
Civil Nuclear Police Authority	3,808	2,634	921
Committee on Climate Change	4,378	2,446	1,728
Other central government			
Regional Development Agencies	45,824	45,824	40,800
Grants to Local Authorities	–	–	1,187
Grants to other bodies			
Carbon Trust	83,365	105,177	89,734
Energy Saving Trust	38,525	39,525	35,882
Other	536,300	687,321	447,637
Net Operating cost	**3,026,504**	**2,904,216**	**2,095,446**

15 Income

	Note	2009–10 £'000	2008–09 £'000
Administration income:			
Fees and charges received from external customers		407	344
Fees and charges from other departments		763	1,287
Other allowable within the Administration cost limit		9	5
Total Administration income (A in A)	4.2	***1,179***	***1,636***
Programme income:			
Nuclear Decommissioning Authority		1,242,051	1,951,779
NDA land sale		160,936	–
Other		16,603	4,727
Programme income (A in A)		***1,419,590***	***1,956,506***
Programme income outside of the supply process			
Consolidated Fund Extra Receipts (CFERs):			
Offshore wind grant repayments		40,127	–
Urenco dividend		22,040	31,275
Total Programme income		***1,481,757***	***1,987,781***
Total Operating income	7	**1,482,936**	**1,989,417**

Total income allowable against the Estimate, as shown in the Statement of Parliamentary Supply, amounted to £1,182,040,000 (2008–09: £1,345,031,000).

16 Property, plant and equipment

	Scientific equipment £'000	Information technology £'000	Furniture, fixtures and fittings £'000	Office machinery and equipment £'000	Total £'000
Cost or valuation					
At 1 April 2009	12,858	10,576	–	57	23,491
Additions	–	3,396	1,793	–	5,189
Impairments	–	(16)	–	(5)	(21)
Disposals	–	(2,419)	–	(48)	(2,467)
At 31 March 2010	**12,858**	**11,537**	**1,793**	**4**	**26,192**
Depreciation					
At 1 April 2009	12,728	6,004	–	48	18,780
Charged in year	130	1,141	193	8	1,472
Impairments	–	(14)	–	(5)	(19)
Disposals	–	(2,419)	–	(48)	(2,467)
At 31 March 2010	**12,858**	**4,712**	**193**	**3**	**17,766**
Net book value at 31 March 2010	**–**	**6,825**	**1,600**	**1**	**8,426**
Net book value at 31 March 2009	**130**	**4,572**	**–**	**9**	**4,711**
Asset financing					
On balance sheet PFI contract	–	2,987	–	–	2,987
Owned	–	3,838	1,600	1	5,439
Net book value at 31 March 2010	**–**	**6,825**	**1,600**	**1**	**8,426**

Included within Information technology are assets with a cost of £3,258,000 (2008–09: £Nil) and a net book value of £2,987,000 (2008–09: £Nil) that are capitalised as part of the service contract for the provision of IT services to the Department by the operator.

This contract is a five year contract which expires in March 2014 and has been assessed as a service concession arrangement within the scope of IFRIC12: Service Concession Arrangements. The infrastructure assets have been capitalised at the start of the contract and are depreciated over five years (see Note 25.2).

	Scientific equipment £'000	Information technology £'000	Furniture, fixtures and fittings £'000	Office machinery and equipment £'000	Total £'000
Cost or valuation					
At 1 April 2008	12,858	10,581	-	57	23,496
Additions	-	-	-	-	-
Disposals	-	(5)	-	-	(5)
At 31 March 2009	**12,858**	**10,576**	**-**	**57**	**23,491**
Depreciation					
At 1 April 2008	12,415	5,150	-	38	17,603
Charged in year	313	859	-	10	1,182
Disposals	-	(5)	-	-	(5)
At 31 March 2009	**12,728**	**6,004**	**-**	**48**	**18,780**
Net book value at 31 March 2009	**130**	**4,572**	**-**	**9**	**4,711**
Net book value at 31 March 2008	**443**	**5,431**	**-**	**19**	**5,893**

All property, plant and equipment were owned by the Department at 31 March 2009.

17 Financial assets

2009–10	Note	Value at 1 April 2009	Additions	Revaluation	Repayments	Release of previous revaluation gains	Value at 31 March 2010
		£'000	£'000	£'000	£'000	£'000	£'000
Coal Pensions Investments	17.1	887,120	–	99,761	–	(337,300)	649,581
Energy Efficiency Loans	17.2	–	95,101	–	(1,239)	–	93,862
Ordinary shares	17.4	–	–	–	-	–	–
Total		**887,120**	**95,101**	**99,761**	**(1,239)**	**(337,300)**	**743,443**

2008–09	Note	Value at 1 April 2008	Additions	Revaluation	Repayments	Release of previous revaluation gains	Value at 31 March 2009
		£'000	£'000	£'000	£'000	£'000	£'000
Coal Pensions Investments	17.1	3,251,927	–	(2,085,807)	–	(279,000)	887,120
Ordinary shares	17.4	–	–	–	–	–	–
Total		**3,251,927**	**–**	**(2,085,807)**	**–**	**(279,000)**	**887,120**

The above financial assets are disclosed in the Statement of Financial Position as follows:

	31 March 2010	31 March 2009	1 April 2008
	£'000	£'000	£'000
Non-current assets	646,227	469,580	2,972,927
Current assets	97,216	417,540	279,000
Total	**743,443**	**887,120**	**3,251,927**

17.1 Coal Pensions Investments

2009-10	Value at 1 April 2009 £'000	Revaluation £'000	Release of previous revaluation gains £'000	Value at 31 March 2010 £'000
BCSSS Investments				
Investment Reserve	118,630	(2,869)	–	115,761
Guarantor's Fund	380,012	45,613	(192,000)	233,625
MPS Investments				
Investment Reserve	80,405	15,600	–	96,005
Guarantor's Fund	308,073	41,417	(145,300)	204,190
Total	**887,120**	**99,761**	**(337,300)**	**649,581**

2008-09	Value at 1 April 2008 £'000	Revaluation £'000	Release of previous revaluation gains £'000	Value at 31 March 2009 £'000
BCSSS Investments				
Investment Reserve	1,292,499	(1,073,869)	(100,000)	118,630
Guarantor's Fund	395,786	(15,774)	–	380,012
MPS Investments				
Investment Reserve	1,060,688	(947,283)	(33,000)	80,405
Guarantor's Fund	502,954	(48,881)	(146,000)	308,073
Total	**3,251,927**	**(2,085,807)**	**(279,000)**	**887,120**

Coal Pensions Investments are categorised as 'available-for-sale' financial assets, as defined in Note 1.5 and measured at fair value through taxpayers' equity, however they represent expected or potential cash flows arising from the Government's residual interest in a portion of the net assets of the British Coal Staff Superannuation Scheme (BCSSS) and the Mineworkers' Pension Scheme (MPS). This residual interest is represented by the Investment Reserves and the Guarantor's Funds which have been established as notional sub-funds within each Scheme.

The periods over which these cash flows are expected to be received are as follows:

2009–10	Within 1 year £'000	Within 1 to 5 years £'000	Within 6 to 10 years £'000	After 10 years £'000	Total £'000
BCSSS Investments					
Investment Reserve	–	47,100	68,661	–	115,761
Guarantor's Fund	47,000	172,635	13,990	–	233,625
MPS Investments					
Investment Reserve	–	39,250	56,755	–	96,005
Guarantor's Fund	30,800	113,131	60,259	–	204,190
Total	**77,800**	**372,116**	**199,665**	**–**	**649,581**

2008-09	Within 1 year £'000	Within 1 to 5 years £'000	Within 6 to 10 years £'000	After 10 years £'000	Total £'000
BCSSS Investments					
Investment Reserve	100,000	8,228	8,814	1,588	118,630
Guarantor's Fund	140,000	150,872	84,123	5,017	380,012
MPS Investments					
Investment Reserve	33,000	20,937	22,427	4,041	80,405
Guarantor's Fund	144,540	112,727	50,806	-	308,073
Total	**417,540**	**292,764**	**166,170**	**10,646**	**887,120**

On 31 October 1994 the Government gave a guarantee in relation to the benefits payable to members and beneficiaries of the BCSSS and MPS. As part of this agreement a portion of the net assets of each Scheme were earmarked as Investment Reserves within each Scheme.

Investment Reserves

The Department's BCSSS and MPS Investment Reserve financial assets are derived from the unallocated share of the surpluses attributable to British Coal at the time of privatisation of the industry in 1994. The Investment Reserves were established at the guarantee date and in accordance with the rules[1] of each Scheme continue to exist as notional sub-funds[2] within each scheme. These Investment Reserves are intended to act as a buffer against adverse experience over the period during which a substantial portion of each Scheme's liabilities will be paid. To the extent that the Investment Reserves are not required to meet a Scheme's liabilities they are to be repaid to the Department on behalf of the Government as the Guarantor of each Scheme. The expectation is that the Investment Reserves would be distributed by means of a phased release, weighted towards the second half of the 25 year period following the guarantee date.

1 Clauses 6 and 6A of the Rules of the BCSSS and clauses 18A and 18B of the Rules of the MPS.

2 The notional sub-funds established within each Scheme are: the Guaranteed Fund which meets the costs of all benefits payable to members (subject to the Government guarantee); the Bonus Augmentation Fund which records the members' share of any surpluses (post guarantee date); the Investment Reserve; and the Guarantor's Fund.

Guarantor's Funds

The rules of each Scheme provide for a number of other notional sub-funds in addition to the Investment Reserves to be established, including the Guarantor's Funds. Under the provisions of each Scheme any (post guarantee date) surpluses arising are to be shared equally between the members and the Government, as the Guarantor to each scheme. Surpluses are determined on the basis of triennial actuarial valuations by each Scheme's actuary, the Government Actuary's Department (GAD). The Guarantor's Funds record the Government's share of any surpluses arising from these valuations.

Scheme valuations

The most recent completed valuations of the BCSSS and the MPS are 31 March 2009 and 30 September 2008 respectively. Actuarial valuations are carried out by GAD after consultation on the actuarial assumptions to be used with both the Trustees and the Government. GAD assesses both the market value and the actuarial value of each Scheme's assets[3] and liabilities. This information is used by management to inform the calculation of fair value.

Fair value

The balances disclosed in these accounts are fair values. Fair value is the amount financial assets could be exchanged between knowledgeable and willing parties in an arms length transaction. This would generally be market value if an active market exists, however no active market exists for the exchange of these financial assets. Management has therefore used a generally accepted estimation technique and discounted these cash flows over the period to 2019 at a rate of 3.5% (the Treasury's real discount rate for assessing investments) to determine fair value.

Changes in the value of the investments since the last actuarial valuation dates are management estimates of the current fair value taking into account any payment made to the Department on behalf of the Government as Guarantor to the Schemes. The value of the investments may be adjusted by interim valuations undertaken by each Scheme's Actuary, when these are completed.

Risk

The Department, in representing the Government as Guarantor to these Schemes, does not hold these financial instruments to manage or change the risks it faces. In contrast to each Scheme the Department is not directly exposed to the various component elements of market risk, although future cash flows from the Coal Pensions Investments are linked to the future financial performance and position of each Scheme.

Additionally, since all future cash flows from these financial assets are payable by the Department directly to the Consolidated Fund, the risk that future cash flows will not be realised, particularly because adverse market conditions result in reduction to the net

3 The assets of each Scheme are not segregated between the separate notional sub-funds. These sub-funds, including the Investment Reserves and Guarantor's Funds, are established as notional sub-funds for each Scheme's administrative and accounting purposes only.

assets of the schemes, does not put at risk the achievement of the Department's objectives.

The Department manages its exposure to any risks associated with these financial assets in accordance with its risk management objectives, policies and procedures. The details of which can be found in Note 27. In addition, the Department takes professional actuarial advice when necessary.

Each Scheme's Trustees must act at all times in the best interests of the beneficiaries. The Department is not a beneficiary and is not treated as such.

Each Scheme's Trustees are responsible for the investment strategy employed to manage the Scheme's assets and these strategies see both Schemes holding financial assets which are linked to interest rates and also those that are traded in active markets.

Details of these financial assets, their significance to each Scheme's financial position and performance, the investment strategy and the Scheme's objectives, policies and procedures for monitoring and measuring the risks associated with these financial assets can be found in the Report and Accounts for each Scheme. These reports can be obtained from the Coal Pension Trustee Services, 1 Hussar Court, Hillsborough Barracks, Penistone, Sheffield, South Yorkshire, S6 2GZ.

17.2 Energy Efficiency Loans

2009–10	Value at 1 April 2009 £'000	Additions £'000	Repayments £'000	Value at 31 March 2010 £'000
Loans to Small and Medium Sized Enterprises	–	51,901	(1,239)	50,662
Loans to Public Sector Bodies	–	43,200	–	43,200
Totals	**–**	**95,101**	**(1,239)**	**93,862**

The periods over which these cash flows are expected to be received are as follows:

2009–10	Within 1 year £'000	Within 1–5 years £'000	Total £'000
Loans to Small and Medium Sized Enterprises	13,637	37,025	50,662
Loans to Public Sector Bodies	5,779	37,421	43,200
Totals	**19,416**	**74,446**	**93,862**

Energy Efficiency Loans are classified as 'Loans and receivables'.

Scheme details

The Department's energy efficiency loans scheme has been set up under the Environmental Protection Act 1990 to help businesses and public sector organisations reduce their energy costs by providing interest free loans for the implementation of energy efficiency projects. Loans for businesses are administered by the Carbon Trust and for public sector organisations by its wholly owned subsidiary company Salix.

The Carbon Trust Loans scheme for businesses

Carbon Trust is a not-for-profit company providing specialist support and advice to help businesses and the public sector cut carbon emissions, save energy and commercialise low carbon technologies. Carbon Trust has run the loans scheme since 2003, and was substantially expanded in 2009; the scheme is now open to all Small and Medium Sized Enterprises (SME) and businesses not eligible to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. Businesses must have been trading for a year, pass a credit check and have a project that pays for itself within 4 years and meets a carbon threshold. The 2009 Budget provided £67.1 million and £16.8 million for non recycling loans in 2009–10 and 2010–11, on top of the scheme's existing recycling fund. This includes up to £4.1m and £2.0m respectively for directly attributable administration and marketing payable to the Carbon trust.

Each project is considered on its technical merit and its potential to deliver energy savings. Businesses may borrow interest free between £3,000 and £100,000 during 2009–10 (revised to between £3,000 and £500,000 since 1 April 2010) and are loans repayable over a period of up to 4 years.

The Salix Loans scheme for the public sector

Salix was set up in 2004 to accelerate public sector investment in energy efficiency technologies through invest to save schemes. The Energy Efficiency Loan Scheme provided interest free loans in 2009–10 to facilitate investment in energy efficiency measures across the public sector to support further progress towards reducing energy bills and carbon emissions. The scheme had total funding of £59.5m for 2009–10 (fully allocated) and £Nil for 2010–11. The minimum project value is £500 with a minimum individual application value of £5,000; there is no maximum, subject to funding availability. Loans are repaid over 4 years.

Measurement

The loan receivables are recognised at the point an irrevocable loan offer is made by the Carbon Trust or Salix. The loans are initially measured at fair value, being the amount of the present value of the discounted cash flows repayable, and then subsequently held at amortised cost as described in Note 1.5.

Impairment

The Department impairs loan balances only when there is objective evidence of impairment. Objective evidence of impairment within the private sector client base could include:

- significant financial difficulty of the counterparty;
- default of repayment by the counterparty.

The Department has received confirmation from Carbon Trust that two companies in its private sector client base have defaulted on their loan repayments. The total amount of the default is £37,000 with the debt being two months overdue. The Department has not impaired the carried down loan balance for these defaults as management have not assessed these amounts to be irrecoverable. Apart from the above there are no other past-due loan balances to report.

Risk Management

The risks associated with the Energy Efficiency loans are controlled and managed by the processes of extending the loans and obtaining repayments, in both cases via the Carbon Trust and Salix. The processes, as defined in the terms and conditions of the loan offer and the contract with the Carbon Trust, ensure that all monies are applied for authorised purposes by credit worthy entities.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a financial loss to the Department.

The Department minimises the credit risk for loans advanced by the Carbon Trust by devolving responsibility to the Carbon Trust to determine whether a business is commercially viable through formal credit checking procedures. The application process for the loans via Carbon Trust incorporates an industry standard credit test. Every application is also manually inspected by a Carbon Trust consultant through whom a confirmed offer is made. Carbon Trust uses a professional repayment and collection firm and with them have developed robust processes to minimise instances of default.

The loans are unsecured and the Department's maximum exposure to credit risk would be if all of the loan recipients were to default on their repayments. As at 31 March 2010, the maximum undiscounted credit exposure was £28,718,000 (31 March 2009: £Nil) based on loans drawn down at that date. At 31 March 2010 the undiscounted value of offers made to applicants under the interest free loans scheme which had not been drawn down by recipients was £72,418,000 (31 March 2009: £Nil).

Loans advanced via Salix are to public sector entities and, given the nature of this client base, the Department does not anticipate any defaults. There is therefore minimal credit risk exposure for these loans.

Interest rate risk

As the loans are interest free there is no interest rate risk.

Foreign Currency risk

All loans are denominated in sterling, as such there is no foreign exchange risk.

Liquidity Risk

The Department is not exposed to liquidity risk in running this scheme. See Note 27 for further details.

17.3 Share of net assets and results of bodies outside the consolidation boundary

The Department is required to disclose, for each investment which represents an interest in a subsidiary undertaking, an associate or joint venture which falls outside the Departmental consolidation boundary, the Department's share of the net assets and results of those bodies.

This information is summarised below.

	Nuclear Liabilities Fund £m		Enrichment Holdings Limited £m		National Nuclear Laboratory Holdings Limited £m	
	2009–10	2008–09	2009–10	Restated 2008–09	2009–10	2008–09
Assets	8,511	8,303	325	243	38	–
Liabilities	(8,511)	(8,303)	–	–	(40)	–
Net assets	–	–	325	243	(2)	–
Turnover	49	190	–	–	76	–
Surplus/profit for the year	225	91	102	81	7	–

Notes:

- **Nuclear Liabilities Fund (NLF)**: The information is extracted from their management accounts for the year to 31 March 2010; the accounts were prepared in accordance with IFRS (comparative figures are extracted from the final audited accounts for 2008–09). The assets primarily arise from the sale of the Government's interest in British Energy (BE) and are to be applied to fund the decommissioning costs of BE's eight existing nuclear power stations, together with defueling costs and other qualifying liabilities (as defined in the restructuring agreements between Government and British Energy). The liabilities noted above are those reflected in the Statement of Financial Position of the NLF and represent the Fund's resources available to meet its liability to the Licensee (British Energy Generation Limited) at that date. The liabilities disclosed in Note 28 represent the discounted actual estimated liabilities.
- **Enrichment Holdings Limited**: The share of net assets and results disclosed is extracted from the draft accounts for the year ended 31 March 2010 of Enrichment Holdings Limited, prepared under the historical cost convention and in accordance with IFRS. The 2008–09 comparatives have been restated based on the final audited accounts of Enrichment Holdings Limited for 2008–09. The amounts previously presented in the Department's Resource Accounts for 2008–09 were based on the results on BNFL Enrichment Limited (now Enrichment Investments Limited) as other information was not available at the time. Enrichment Investments Limited is the wholly owned subsidiary of Enrichment Holdings Limited and owns 33% of Urenco Limited. Consequently, the net assets and results of Enrichment Holdings Limited shown above represent 33% of the results and net assets of Urenco Limited. Enrichment Holdings Limited accounts for these using the equity method of accounting as defined in IAS28: Investments in Associates. The Department receives dividends from Urenco via Enrichment Investments Limited and Enrichment Holdings Limited as disclosed in Note 15.

- **National Nuclear Laboratory Holdings Limited**: The share of net assets and results disclosed is extracted from the draft accounts for the year-ended 31 March 2010 of National Nuclear Laboratory Limited, prepared under the historical cost convention and in accordance with IFRS, the accounts of NNL Holdings Limited are not yet available. The shares transferred from BNFL to the Department on 1 April 2009, before that date its results were included within the BNFL disclosure in the Resource Accounts of the Department for Business Enterprise and Regulatory Reform (now the Department for Business Innovation and Skills). National Nuclear Laboratory Limited (NNL) is the wholly owned subsidiary of NNL Holdings Limited. The function of NNL is to build a sustainable business which will incorporate key UK Nuclear skills and facilities. The business will provide a core offering of technology services and solutions across the nuclear fuel cycle, primarily based in the UK but with increasing overseas market and is run on a full commercial basis, with no government support or subsidy. In addition to the net assets shown above is £20m cash held in respect of NNL Holdings Limited by the Department which is shown as third party assets in Note 33.

17.4 Ordinary shares

Ordinary shares are valued at historical cost as required by the FReM.

The Department owns two shares of £1 each in Enrichment Holdings Limited which has been set up as the holding company, via Enrichment Investments Limited, as detailed in Note 17.3 above.

The Department owns two shares of £1 each in NNL Holdings Limited which has been set up to hold all of the shares in National Nuclear Laboratory Limited, as detailed in Note 17.3 above.

The Department owns the founding share of £1 in Africarbon Limited which was incorporated in July 2008. Its objective with other UK partners is to catalyse Clean Development Mechanism (CDM) projects in sub-Saharan African countries that have so far benefited little from carbon market investment. Since 31st July 2009 it has been inactive and held as a dormant company whilst the UK pursues other capacity building work to support the CDM in sub–Saharan Africa.

The Department owns the founding share of £1 in DECC Energy Investment Ltd which was incorporated in February 2010. It was set up to facilitate management of a project which subsequently did not proceed. It will remain dormant until it is wound up.

17.5 Membership Fund

The Secretary of State for Energy and Climate Change has a share in the membership fund of Carbon Trust. The members' fund at 31 March 2010 was £Nil (31 March 2009: £Nil). Each member is required to pay an amount not exceeding £1 if and only if the Carbon Trust is wound up whilst a member, or within one year after ceasing to be a member, for the payment of the Carbon Trust's debts and liabilities contracted before ceasing to be a member, and of the costs, charges and expenses of winding up, and for the adjustment of the rights of the contributors among themselves.

17.6 Special shares

The Secretary of State holds one Special Share in each of the entities listed below. The list is a summary and does not purport to be a comprehensive record of the terms of each respective shareholding.

In accordance with the FReM these shares are required to be held off balance sheet. Further details can be obtained from the annual report and financial statements of each body.

<table>
<tr><th>Body in which the share is held and type and value of share</th><th>Terms of shareholding</th></tr>
<tr><td>

British Energy Group plc £1 Special Share

British Energy Holdings plc £1 Special Share

British Energy Generation Ltd £1 Special Share and

British Energy Ltd £1 Special Share

</td><td>

- British Energy Group plc Special Share created on 13 January 2005 and held jointly by the Secretary of State for Energy and Climate Change and the Secretary of State for Scotland.
- The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of:
  - various amendments to the company's Articles of Association;
  - any purchase of more than 15% of the company's shares;
  - the issue of shares carrying voting rights of 15% or more in the company;
  - variations to the voting rights attaching to the company's shares; and
  - the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain cases.
- British Energy Holdings plc Special Share created on 13 January 2005 and held jointly by the Secretary of State for Energy and Climate Change and the Secretary of State for Scotland.
- The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of:
  - various amendments to the company's Articles of Association; and
  - the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain cases.
- British Energy Generation Ltd Special Share created in 1996 is held solely by the Secretary of State for Energy and Climate Change.

The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of:

  - various amendments to the company's Articles of Association;
  - the disposal of any of the nuclear power stations owned by the company; and
  - prior to the permanent closure of such a station, the disposal of any asset which is necessary for the station to generate electricity.

- British Energy Limited (formerly British Energy plc) Special Share created in 1996 is held solely by the Secretary of State for Energy and Climate Change.

</td></tr>
</table>

Body in which the share is held and type and value of share	Terms of shareholding
	• The consent of the Special Shareholder, which can only be refused on grounds of national security (except in relation to an amendment to the company's Articles of Association), is required in respect of: – various amendments to the company's Articles of Association; and – the giving of consent in respect of the issue of shares by, the sale of shares in or amendments to the Articles of Association of various subsidiaries in certain cases. • The company has no significant assets or liabilities as a result of the restructuring scheme, which came into effect on 14 January 2005.
Nuclear Liabilities Fund Ltd *£1 Special Rights Redeemable Preference Share*	• Created in 1996. • The Secretary of State for Energy and Climate Change has a Special 'A' Share (there is also a 'B' Share held by British Energy). • The consent of the Special Shareholder is required for any of the following: – to change any of the provisions in the Memorandum of Association or Articles of Association; – to alter the share capital or the rights attached thereto; – the company to create or issue share options; – the 'B' Special Shareholder or any of the Ordinary shareholders to dispose or transfer any of their rights in their shares; – the company to pass a members voluntary winding-up resolution; – the company to recommend, declare or pay a dividend; – the company to create, issue or commit to give any loan capital; – the company to issue a debenture; or – the company to change its accounting reference date.

18 Trade and other receivables

18.1 Analysis by type

	31 March 2010 £'000	Restated 31 March 2009 £'000	Restated 1 April 2008 £'000
Amounts falling due within one year			
Trade receivables	7,803	10,426	3,350
Other receivables	8,278	110,865	10,906
VAT	8,024	3,572	18
Amounts due from the Consolidated Fund in respect of supply	65,131	–	–
Staff debtors	235	164	131
Prepayments and accrued income	20,193	28,858	116,508
Total trade and other receivables	**109,664**	**153,885**	**130,913**

Included within other receivables are CFER debtors of £5,090,000 (31 March 2009: £104,838,000, 1 April 2008: £3,406,000).

18.2 Intra-Government balances

	Amounts falling due within one year		
	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Balances with:			
Other Central Government bodies	74,476	8,609	304
Local Authorities	61	67	–
NHS Trusts	–	–	–
Public Corporations and Trading Funds	2	–	1,334
Subtotal: Intra-Government balances	*74,539*	*8,676*	*1,638*
Bodies external to Government	35,125	145,209	129,275
Total trade and other receivables	**109,664**	**153,885**	**130,913**

19. Cash and cash equivalents

	31 March 2010 £'000	Restated 31 March 2009 £'000
Balance as at 1 April	661,884	262,291
Net change in cash and cash equivalent balances	(390,598)	399,593
Balance at 31 March	**271,286**	**661,884**

	31 March 2010 £'000	Restated 31 March 2009 £'000	1 April 2008 £'000
The following balances at 31 March were held at:			
Government Banking service	268,034	661,374	260,903
Cash in hand and commercial banks	4,495	528	1,388
Balance	**272,529**	**661,902**	**262,291**
Overdraft	(1,243)	(18)	–
Total	**271,286**	**661,884**	**262,291**

The Department's cash balances as at 31 March 2009 included £40,424,000 receipts from the EU Emissions Trading Scheme, subsequently paid to the Consolidated Fund. The receipts from this scheme are now accounted for in a separate Trust Statement; as a result the comparatives have been restated as shown in Note 35.

20 Trade and other payables

20.1 Analysis by type

	31 March 2010 £'000	Restated 31 March 2009 £'000	Restated 1 April 2008 £'000
Amounts falling due within one year			
Other taxation and social security	6	6	3
Trade payables	3,214	17,713	16,166
Commercial bank overdraft	1,243	18	-
Other payables	10,343	22,997	12,530
Accruals and deferred income	261,876	136,445	50,605
Amounts issued from the Consolidated Fund for Supply but not spent at year end	–	44,563	10,545
Consolidated Fund Extra Receipts due to be paid to the Consolidated Fund:			
Received	336,416	617,321	251,745
Receivable	5,090	104,838	3,406
Total trade and other payables	**618,188**	**943,901**	**345,000**

Amounts falling due after more than 1 year	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Accruals and deferred income	264	–	–
	264	–	–

20.2 Intra-Government balances

	Amounts falling due within one year			Amounts falling due after more than one year		
Balances with:	31 March 2010 £'000	Restated 31 March 2009 £'000	Restated 1 April 2008 £'000	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Other Central Government bodies	365,784	859,905	267,891	–	–	–
Local Authorities	1	9	1,044	–	–	–
NHS Trusts	1	1	–	–	–	–
Public Corporations and Trading Funds	3,413	5,646	2,415	–	–	–
Subtotal: Intra-Government balances	*369,199*	*865,561*	*271,350*	–	–	–
Bodies external to Government	248,989	78,340	73,650	264	–	–
Total trade and other payables	**618,188**	**943,901**	**345,000**	**264**	**–**	**–**

21 Provisions for liabilities and charges: Coal

	Note	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Health related	21.1	83,043	195,700	394,488
Non health related	21.2	556,959	529,963	433,466
Total		**640,002**	**725,663**	**827,954**

The above coal provisions are disclosed in the Statement of Financial Position as follows:

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Current liabilities	123,155	191,141	361,100
Non-current liabilities	516,847	534,522	466,854
Total	**640,002**	**725,663**	**827,954**

The time scale over which it is estimated the discounted costs will need to be incurred is as follows:

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
In the remainder of the Spending Review period to 2011	123,155	284,144	538,102
Between 2012 to 2016	275,828	243,093	148,317
Between 2017 to 2021	137,905	112,420	79,331
Thereafter	103,114	86,006	62,204
Total	**640,002**	**725,663**	**827,954**

Included in the amounts above is £63,000 (2008-09: £61,000; 2007-08: £59,000) which is not expected to be incurred before the period beginning 2061.

21.1 Health related provisions

	COPD £'000	VWF £'000	NIHL £'000	Pneumo-coniosis £'000	Other diseases £'000	Misc Benefits £'000	Administrative Advisers £'000	Total £'000
At 1 April 2009	68,615	3,216	6,561	6,960	25,476	604	84,268	195,700
Unwinding of one year's discount	1,510	71	144	153	560	13	1,855	4,306
Increase in provision	12,477	25,082	5,504	–	–	74	12,622	55,759
Amounts written back	–	–	–	(599)	(16,521)	–	–	(17,120)
Utilised in year	(75,961)	(28,073)	(3,135)	(1,527)	(1,747)	(19)	(45,140)	(155,602)
At 31 March 2010	**6,641**	**296**	**9,074**	**4,987**	**7,768**	**672**	**53,605**	**83,043**

	COPD	VWF	NIHL[1]	Pneumo-coniosis[1]	Other diseases[1]	Misc Benefits[1]	Administrative Advisers[1]	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2008	232,007	56,825	4,754	7,991	10,925	686	81,300	394,488
Unwinding of one year's discount	5,104	1,250	105	176	240	15	1,788	8,678
Increase in provision	11,590	2,781	2,741	427	16,401	–	58,080	92,020
Amounts written back	–	–	–	–	–	(76)	–	(76)
Utilised in year	(180,086)	(57,640)	(1,039)	(1,634)	(2,090)	(21)	(56,900)	(299,410)
At 31 March 2009	**68,615**	**3,216**	**6,561**	**6,960**	**25,476**	**604**	**84,268**	**195,700**

1 In prior year's financial statements these provisions were shown as a combined amount under the heading Other.

21.1 Health related provisions

Responsibility for the compensation claims relating to personal injuries suffered by former British Coal mineworkers transferred to the Department on 1 January 1998 by a restructuring scheme under the Coal Industry Act 1994.

Chronic Obstructive Pulmonary Disease (COPD)

These liabilities arise from claims relating to respiratory diseases such as emphysema and chronic bronchitis, caused by exposure to mine dust and fumes. The undiscounted amount of this provision has currently been calculated at £6.7m (31 March 2009: £70.0m). This Scheme is closed to new claims. As at 31 March 2009 over 99% of the total expected liability has already been paid with an estimated 1,130 claims remaining to be settled. The estimated outstanding liability is expected to be paid by the point of the scheme completion in 2011.

Vibration White Finger (VWF)

These liabilities arise from claims relating to damage caused by the prolonged use of vibratory tools. The claims are expected to be disbursed during 2010–11. The increase in provision during 2009-10 is due to a reconciliation exercise performed during the year in which 20,000 cases were reviewed and assessed resulting in a discharge of liabilities to the Department for Work and Pensions. This Scheme is closed to new claims. As at 31 March 2009 over 99% of the total expected liability has already been paid with an estimated 78 claims remaining to be settled. The estimated outstanding liability is expected to be paid by the point of the scheme completion in 2010–11.

Other injury related provisions

As shown in the table above, there are other injury-related compensation claims such as Noise Induced Hearing Loss (NIHL), accidents and miscellaneous diseases including asbestos related conditions, dermatitis, cancer and rheumatic diseases. In addition provisions are recognised for the payments under British Coal's Pneumoconiosis Compensation Scheme and Minor Benefits Schemes. The reduction in the provision for "Other diseases" is a result of changing the forecasting of future liabilities in the light of corrections to previous forecasting exercises. The undiscounted amount of these provisions has currently been calculated at £24.6m (31 March 2009: £44.4m) with an estimated end date of 2048.

Administrative advisers provision

This provision is for the associated administration costs of managing all coal health related claims. The increase in the provision arises from increased legal and claim handling costs partially offset by a reduction in forecasts for record management costs. The undiscounted amount of this provision has currently been calculated at £58.4m (31 March 2009: £92.1m) with an estimated end date of 2022.

21.2 Non health related provisions

	Concessionary fuel	Site restoration	Non health admin	Total
	£'000	£'000	£'000	£'000
At 1 April 2009	461,368	56,816	11,779	529,963
Unwinding of one year's discount	10,150	1,250	259	11,659
Increase in provision	73,692	-	1,944	75,636
Amounts written back	-	(40)	-	(40)
Utilised in year	(59,129)	-	(1,130)	(60,259)
At 31 March 2010	**486,081**	**58,026**	**12,852**	**556,959**

	Concessionary fuel	Site restoration[1]	Non health admin[1]	Total
	£'000	£'000	£'000	£'000
At 1 April 2008	385,609	34,952	12,905	433,466
Unwinding of one year's discount	8,483	769	284	9,536
Increase in provision	114,896	53,550	196	168,642
Amounts written back	–	–	–	–
Utilised in year	(47,620)	(32,455)	(1,606)	(81,681)
At 31 March 2009	**461,368**	**56,816**	**11,779**	**529,963**

1 In prior years' financial statements these provisions were shown as a combined amount under the heading Other.

Non health-related provisions

Concessionary fuel

The Department has a responsibility to provide either solid fuel or a cash alternative to nearly 87,000 beneficiaries. Around 70,000 of these have opted for the cash alternative at an average of around £520 per annum; for the remainder, the average solid fuel cost to the Department is around £1,400 per annum (this includes the cost of distribution). The number of beneficiaries is currently decreasing at around 7% per annum. The provision is based on standard female mortality rates and includes an assumption of beneficiaries continuing to switch their entitlement from solid fuel to cash at a constant rate of 8.1% for National Concessionary Fuel Association beneficiaries and 9.4% for British Association of Colliery Miners beneficiaries. The significant in-year increase is due to the impact of increases in fuel prices.

An actuarial review of the forecasting model for the National Concessionary Fuel Scheme has been carried out by the Government Actuary's Department (GAD) and their report was issued on 6 May 2010. This report made a number of recommendations for modifications to the long term accuracy of the forecasting model, these relate to mortality rates and other assumptions to improve the long term projections of the benefits. The Department is in the process of implementing the recommendations into the forecasting model during 2010-11.

Site Restoration

The Department has inherited liabilities from British Coal to reimburse certain third parties with the costs necessary to meet statutory environmental standards in the restoration of particular coal-related sites.

Ongoing projects are the Avenue Cokeworks and Grassmoor Lagoons sites, both near Chesterfield. Liabilities at those sites are expected to be discharged by 2012-13.

There remains, however, the possibility that the Department will be held responsible for further environmental liabilities of British Coal.

Non health administration provision

This provision relates to costs for the administration of non-health related liabilities and indemnities issued at privatisation.

22 Provisions for liabilities and charges: Nuclear

British Energy	2009–10 £'000	2008–09 £'000
At 1 April	2,153,166	2,320,484
Unwinding of one year's discount	47,370	51,050
Increase in provision	90,788	–
Amounts written back	–	(7,788)
Utilised in year	(211,633)	(210,580)
At 31 March	**2,079,691**	**2,153,166**

The above nuclear provision is disclosed in the Statement of Financial Position as follows:

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
Current liabilities	214,031	204,915	205,700
Non-current liabilities	1,865,660	1,948,251	2,114,784
Total	**2,079,691**	**2,153,166**	**2,320,484**

As a result of the restructuring of British Energy (BE) in January 2005, the Government assists BE in meeting its contractual historic fuel liabilities. The provision is based on the forecast payment schedule up to 2029 which is set out in the waste processing contracts agreed between BE, BNFL and the Department. The costs are estimated to be £216.4m (undiscounted at current prices) for each of the next 4 years and are then expected to fall each year thereafter.

The time scale, over which it is estimated the discounted costs will need to be incurred, is as follows:

	31 March 2010 £'000	31 March 2009 £'000	1 April 2008 £'000
In the remainder of the Spending Review period to 2011	214,031	405,419	603,885
Between 2012 to 2016	961,560	900,788	884,734
Between 2017 to 2021	581,105	544,378	534,676
Thereafter	322,995	302,581	297,189
Total	**2,079,691**	**2,153,166**	**2,320,484**

All the above amounts are expected to be incurred before the period beginning 2030.

23. Notes to the Statement of Net Operating Costs by Departmental Strategic Objectives

The Department changed its objectives in 2009–10 from the three it inherited from the legacy Departments. The Department has a single Public Service Agreement, PSA 27: To lead the global effort to avoid climate change; this encompasses all seven DSOs.

The seven new DSOs are related to the three previous DSOs as explained in Chapter 1.

23.1 Programme grants and other current expenditures have been allocated as follows:

Objective	2009–10 £'000	Restated 2008–09 £'000
Secure global commitments which prevent dangerous climate change	120,364	120,150
Reduce greenhouse gas emissions in the UK	270,301	109,054
Ensure secure energy supplies	12,415	10,750
Promote fairness through our climate and energy policies at home and abroad	428,786	399,824
Ensure the UK benefits from the business and employment opportunities of a low carbon future	113,894	77,408
Manage energy liabilities effectively and safely	3,339,859	3,276,300
Develop the department's capability, delivery systems and relationships so that we serve the public effectively	3	1,469
Total	**4,285,622**	**3,994,955**

23.2 Capital employed by Departmental Strategic Objectives at 31 March 2010

Objective	31 March 2010 £'000	Restated 31 March 2009 £'000
Secure global commitments which prevent dangerous climate change	(20,498)	33,154
Reduce greenhouse gas emissions in the UK	44,582	32,092
Ensure secure energy supplies	(3,554)	(4,726)
Promote fairness through our climate and energy policies at home and abroad	(7,578)	90,655
Ensure the UK benefits from the business and employment opportunities of a low carbon future	(60,337)	8,731
Manage energy liabilities effectively and safely	(2,121,001)	(2,209,455)
Develop the department's capability, delivery systems and relationships so that we serve the public effectively	(35,697)	(65,563)
Total	**(2,204,083)**	**(2,115,112)**

Where assets and liabilities relate to specific Objectives, they are attributed directly to that Objective. The Department's administrative net liabilities are attributed to Objectives in proportion to the gross expenditure for those Objectives.

24 Capital commitments

There were no capital commitments as at 31 March 2010 or at 31 March 2009.

25 Commitments under leases

25.1 Operating leases

Total future minimum lease payments under operating leases are given in the table below, for each of the following periods.

	31 March 2010 £'000	Restated 31 March 2009 £'000
Obligations under operating leases comprise		
Land and buildings		
Expiry within 1 year	32	35
Expiry after 1 year but not more than 5 years	–	–
Expiry thereafter	–	–
	32	**35**
Other		
Expiry within one year	37	28
Expiry after 1 year but not more than 5 years	11	27
Expiry thereafter	–	–
	48	**55**

25.2 Service concessions

There are three service contracts for the provision of IT services to the Department.

On balance sheet contract

During 2009–10, the Department entered into a five year contract with Fujitsu Services Limited, which expires in March 2014 and may be terminated by the Department with twelve months' notice. This has been assessed as a service concession arrangement within the scope of IFRIC12: Service Concession Arrangements. The infrastructure assets have been capitalised at the start of the contract and are depreciated over five years (see Note 16), the contract payments relating to the infrastructure assets are all made in the first year of the contract and consequently there is no lease commitment or liability at 31 March 2010.

The total amount charged to the Operating Cost Statement in respect of the service element of this on-balance sheet service concession arrangement is £1,905,000 (2008–09: Nil) as PFI service charges and £47,000 (2008–09: Nil) as interest charges.

The contract has commitments during 2010–11 as follows:

	31 March 2010 £'000	**31 March 2009 £'000**
Not later than 1 year	–	–
Later than 1 year but not later than 5 years	2,497	–
Later than 5 years	–	–
	2,497	–

There is no interest element to the above commitment as the capital payments relating to the contract were all made in the first year of the contract.

Other contracts

The Department receives charges in respect of contracts which have been assessed as within the scope of IFRIC 12 but where the Department is not the principal to the contract. These contracts are held by the legacy departments involved in the October 2008 machinery of government change which created the Department. These arrangements have not been held on balance sheet as the apportioned capital elements are not material or significant to the Department's activities, the element which would be capitalised has been estimated as £611,000.

As part of the BIS ELGAR contract, the Department's office in Aberdeen has been provided with specialist IT equipment. This arrangement expires in March 2014 and the total cost expensed during 2009–10 was £1,677,000 as PFI service charges[1].

The Department has been charged for using services under Defra's IT contract during the year. These costs were expensed through the Operating Cost Statement as PFI service charges and the total cost in the year was £1,429,000[1]. This arrangement has now been substantially replaced by the Department's own IT contract described above.

The commitments related to the above contracts during the next financial year, analysed by the period during which the commitment expires, are as follows:

	31 March 2010 £'000	31 March 2009 £'000
Not later than 1 year	14	–
Later than 1 year but not later than 5 years	1,249	1,428
Later than 5 years	–	1,677
	1,263	3,105

1 As a result of the machinery of government transfer, it is not possible to separately identify the costs of these arrangements during 2008–09.

26 Other financial commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts), for subscriptions to international bodies. The payments to which the Department is committed during 2010–11, analysed by the period during which the commitments expire, are given in the table below.

	31 March 2010 £'000	31 March 2009 £'000
Expiry within 1 year	–	–
Expiry within 2 to 5 years	–	–
Expiry thereafter	28,480	28,981
	28,480	**28,981**

26.1 The amounts disclosed above are for annual subscriptions paid as follows.

Organisation	Note	Expiry within 1 Year £'000	Expiry within 2 to 5 Years £'000	Expiry over 5 years £'000	Total £'000
United Nations Framework Convention on Climate Change	a	–	–	1,330	1,330
International Atomic Energy Agency	b	–	–	20,723	20,723
Organisation for the Prohibition of Chemical Weapons	c	–	–	3,739	3,739
International Energy Agency	d	–	–	1,488	1,488
Nuclear Energy Agency	e	–	–	714	714
European Energy Charter	f	–	–	420	420
International Energy Forum Secretariat	g	–	–	66	66
Total		**–**	**–**	**28,480**	**28,480**

Notes:

a) The UK's financial contributions to international work on climate change include two annual mandatory subscriptions to the United Nations Framework on Climate Change. Payments are made to the core budget of the Climate Change Convention and support the Kyoto Protocol, which are calculated for all ratifying parties on the basis of the UN scale. The payments fund the Secretariat to provide the necessary organisation and support to the convention and the Protocol, including the annual Conference of the Parties (COP) attended by Ministers (such as COP 15 in Copenhagen in December 2009) and meeting of the Convention Subsidiary Bodies and to carry out activities and initiatives mandated by the parties.

b) The International Atomic Energy Agency (IAEA) is the world's centre of co-operation in the nuclear field. It was established in 1957 as an independent international organization under the United Nations (UN) and as of 1 January 2010 it has a membership of 151 Nation States. It is the UN's nuclear watchdog and is the verification authority for the Treaty on the Non-Proliferation of Nuclear Weapons (NPT). In this capacity it is responsible for promoting and agreeing international nuclear safeguards with States, and for verifying that non-proliferation commitments are met. It is also charged with fostering safety and security in nuclear related activities and with contributing to goals of sustainable development in key areas of the peaceful application of nuclear science and technology.

c) The Chemical Weapons Convention (CWC), which came into force on 29 April 1997, is the first arms control treaty which seeks to introduce a verifiable ban on an entire class of weapons of mass destruction. It is administered by the Organisation for the Prohibition of Chemical Weapons (OPCW), which is based in The Hague. As of 1 February 2010 the OPCW had 188 States Party. As part of its verification responsibilities, the OPCW undertakes inspections in States Party and the UK has received 110 inspections since 1997. DECC, as the UK National Authority, is responsible for the implementation of the CWC in the UK. The powers to implement the declaration and verification provisions in the CWC are contained in the Chemical Weapons Act 1996.

d) The International Energy Agency (IEA) is the pre-eminent energy consumer organisation and an internationally recognised centre of excellence. As energy has risen up the political agenda so has the profile of the IEA. It provides world leading energy and climate policy analysis, oversees the global emergency oil response mechanism and supports the development of low-carbon and energy efficient technologies. The UK's subscription supports these objectives. Recent examples of IEA work include the early release of climate analysis to inform the COP meetings at Bangkok and Copenhagen, analysis of fossil fuel subsidy reductions for the G20 and close cooperation with the International Energy Forum on oil price volatility work.

e) DECC pays the UK's annual contribution to the Nuclear Energy Agency (NEA) on behalf of a number of Departments and Agencies that participate in the NEA's work. The NEA is an agency within the OECD and is an internationally recognized organization providing a forum for sharing information and experience and promoting international co-operation on technical, scientific, legal and economic issues affecting the peaceful use of nuclear energy globally.

f) DECC is responsible for the UK's subscription to the European Energy Charter Treaty. The Energy Charter Treaty provides a unique legally-binding multilateral instrument to encourage international investment in energy and ensure its secure transit. It strives towards open, efficient, sustainable and secure energy markets and promotes a constructive climate conducive to energy interdependence on the basis of trust between nations. The main aim of the Treaty is to liberalise energy trade, transit and investment within and between its (mainly Eurasian) signatory countries. This is an aim which the UK strongly supports.

g) DECC is responsible for paying the UK's contribution to the International Energy Forum Secretariat (IEFS). The IEFS's role is to enhance and support the global dialogue between energy producers and consumers. The UK is a member of the Executive Board and will have to reapply for this position this year. Payment of the subscription is a requirement of all Board Members. The UK delegation was led by the then Energy Minister to the12th IEF Ministerial Forum that was held in Cancun from 29–31 March 2010. The reforms of the International Energy Forum are a key deliverable in the Government's initiative to reduce volatility in energy markets. To date, the UK has played a pivotal role in this work and would face reputational damage if support was withdrawn. Going forward, it is likely that the importance of the IEF will grow and the UK should remain a key player in the Forum to influence policy and have direct access to IEF data and analysis.

27 Financial instruments

27.1 Classification and categorisation of financial instruments

	Note	31 March 2010 £'000	Restated 31 March 2009 £'000	Restated 1 April 2008 £'000
Financial assets				
Loans and receivables:				
Energy Efficiency Loans	17	93,862	-	-
Trade other receivables	18	109,664	153,885	130,913
Cash at bank and in hand	19	272,529	661,902	262,291
Total loans and receivables		**476,055**	**815,787**	**393,204**
Available-for-sale assets:				
Coal Pensions Investments	17	649,581	887,120	3,251,927
Ordinary shares	17	-	-	-
Total Available-for-sale assets		**649,581**	**887,120**	**3,251,927**
Financial liabilities				
Other financial liabilities:				
Trade other payables	20	618,452	943,901	345,000
Total other financial liabilities		**618,452**	**943,901**	**345,000**

27.2 Measurement of financial instruments

Financial instruments are carried on the statement of financial position at their fair value or amortised cost. Fair value is the amount for which a financial asset could be exchanged or a financial liability settled between knowledgeable, willing parties in an arms-length transaction. This is market value where an active market exists. Where an active market does not exist, which is the case for Coal Pension Investments, generally accepted estimation and valuation techniques are used, including the discounted cash flow method.

Energy Efficiency loans are carried at amortised cost by discounting the cash flows receivable using HM Treasury's discount rate of 3.5%

The carrying values of other financial assets and financial liabilities do not differ from fair values in these accounts at either 31 March 2010 or 31 March 2009.

27.3 Significance of financial instruments to financial performance and position

IFRS7: Financial Instruments: Disclosures requires the Department to disclose information which will allow users of these financial statements to evaluate the significance of financial instruments on the Department's financial performance and position and the nature and extent of the Department's exposure to risks arising from financial instruments.

Given its largely non-trading nature and that the Department is financed through the Estimates process, financial instruments play a much more limited role in creating or changing risk than would apply to a non-public sector body of a similar size.

Information about the Department's processes for managing and measuring risk can be found in the Financial Overview.

27.4 Risk exposure from financial instruments

The majority of financial instruments relate to contracts to buy non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore not directly exposed to significant market, credit or liquidity risk.

In general, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Department in undertaking its activities.

Further information about the risks associated with the Coal Pensions Investments and Energy Efficiency Loans are disclosed in Note 17 to these financial statements.

Market Risk

Market Risk is the risk that fair values and future cash flows will fluctuate due to changes in market prices. Market risk generally comprises of currency risk, interest rate risk and other price risk.

Foreign currency risk

The Department's exposure to foreign currency risk during the year was minimal. Foreign currency income and expenditure was a small percentage of their respective totals.

Interest rate risk

The Department does not invest or access funds from commercial sources and so is not exposed to significant interest rate risks.

Other price risk

The Department does not have any significant holding of financial instruments that are traded in an active market and as such is not directly exposed to other price risks.

Credit risk

The Department is exposed to credit risk from loans it has advanced under the Energy Efficiency Loans Scheme as detailed in Note 17.2.

Liquidity risk

Resources are voted annually by Parliament to finance the Department's net revenue resource requirements and its capital expenditure. The Department is therefore not exposed to significant liquidity risks.

28 Contingent liabilities and assets disclosed under IAS 37 Provisions, contingent liabilities and contingent assets

Basis of recognition	Description
Coal Industry Act 1994	Any liabilities of British Coal in respect of industrial injury to its former employees between 1947 and 31 December 1997, and any disability or disease arising from employment in that period, the timing and amounts of which are uncertain at this time. The liabilities arise through the various health claims that have been made by former and current employees of British Coal. The uncertainty is due to two factors: a) the nature of any injury; and b) whether the courts decide that compensation is due. Given recent history, the fact that the burden of proof rests with the plaintiff and that the compensation level is determined on a case-by-case basis, there is a high level of uncertainty relating to either the amount of the payments due or whether they are likely to be paid. This uncertainty is also referred to in the Coal Provisions Note (Note 21). The Department has commissioned a second independent actuarial review of miscellaneous coal health related liabilities (including contingent liabilities) to assess the potential future financial risk to the Department.
Nuclear Liabilities Fund (British Energy)	The then Secretary of State for Trade and Industry created a constructive obligation due to her announcement in 2002 to the House regarding British Energy (BE) restructuring, stating that the Government would underwrite the Nuclear Liabilities Fund (NLF) in respect of BE's uncontracted and decommissioning liabilities to the extent that the assets of the Fund fall short. The restructuring was successfully completed on 14 January 2005, and as such the Department has assumed responsibility for these liabilities to the extent that the NLF is insufficient to meet liabilities as they fall due (further details are given in Note 22). There is a high level of uncertainty relating to possible future cash flows which the Department might need to make for an indefinite period of time. This is dependent on BE's estimates for the costs of meeting their decommissioning and uncontracted liabilities which may be revised year-on-year and on the contributions from BE. As such, it is hard to quantify whether this represents a contingent liability or asset. On the basis of the Department's current estimate of the assets available to the NLF to meet its liabilities, £8.8 billion (2009: £8.6 billion), and BE's unaudited estimate for decommissioning and uncontracted liabilities, £4.9 billion (2009: £4.5 billion), there is a contingent asset of £3.9 billion (2009: £4.1 billion). The liabilities figure is subject to review by the Nuclear Decommissioning Authority, the results of which had not been received by the time of finalising these accounts.

<table>
<tr><th>Basis of recognition</th><th>Description</th></tr>
<tr><td>Nuclear Liabilities Fund (Indemnities)</td><td>Nuclear Liabilities Fund – Secretary of State Trustee Indemnities:

Indemnities have been given to the three Trustees of the NLF appointed by the Secretary of State.

These indemnities are against personal liability following any legal action against the Fund.

Nuclear Liabilities Fund – British Energy Trustee Back Up Indemnities:

Given to the two BE appointed Trustees of the Nuclear Liabilities Fund.

These indemnities are against personal liability following any legal action against the Fund.

These indemnities can only be used following failed recourse to an indemnity given by British Energy.</td></tr>
<tr><td>Deed Relating to the British Coal Staff Superannuation Scheme under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994

Deed Relating to the Mineworkers' Pension Scheme under Paragraph 2(9) of Schedule 5 to the Coal Industry Act 1994</td><td>Government Guarantees were put in place on 31 October 1994, the day the Schemes were changed to reflect the impact of the privatisation of the coal industry. They are legally binding contracts between the Trustees and the Secretary of State for Energy and Climate Change.

The Guarantees ensure that the benefits earned by Scheme members during their employment with British Coal, and any benefit improvements from surpluses which were awarded prior to 31 October 1994, will always be paid and will be increased each year in line with the Retail Prices Index.

The 1994 arrangements provided for the following notional sub-funds to be established within each overall fund:

• Guaranteed Fund;
• Bonus Augmentation Fund;
• Guarantor's Fund; and
• Investment Reserve.

Further details regarding the Schemes and the notional sub-funds can be found in Note 17.1, particularly the Guarantor's Fund and the Investment Reserves which have been recognised as financial assets in these accounts.

If at any periodic valuation the assets of the Guaranteed Fund were to be insufficient to meet its liabilities, the assets must be increased to bring the Fund back into balance. This might necessitate one or more of the following steps:

• transfer of assets from the Investment Reserve;
• equal transfers from the Guarantor's Fund and the Bonus Augmentation Fund;
• payments from the Government under the terms of the Guarantees.

This is a long term contingent liability dependent on the performance of the schemes' investments and their mortality experience. Poor performance in world financial and equity markets in the course of 2008-09 had a serious adverse effect on the schemes' funding position. A similarly adverse experience in the next valuation cycle in 2011-12 could quite conceivably serve to crystallize the Government's financial obligation to fund any deficit over a 10 year period.</td></tr>
</table>

29 Contingent liabilities not required to be disclosed under IAS 37 but are included for Parliamentary reporting and accountability purposes:

29.1 Quantifiable

The Department has entered into the following quantifiable contingent liabilities by offering guarantees or indemnities. None of these is a contingent liability requiring disclosure under IAS37 since the possibility of an outflow of economic benefits in settlement is too remote. Managing Public Money requires that the full potential costs be reported to Parliament and these costs are reproduced in the table below.

	1 April 2009	Increase (Decrease) in year	New liability	Liabilities crystallised in year	Obligations expired in year	31 March 2010
	£'000	£'000	£'000	£'000	£'000	£'000
Statutory Guarantees						
Guarantee for Carbon Trust Directors[1]	19,814	(4,214)	-	-	-	15,600
Guarantee for Energy Saving Trust Directors[1]	7,100	800	-	-	-	7,900
Statutory Indemnities						
Quality Assurance for Combined Heat and Power contractors wrongly assessing a scheme	100	-	-	-	-	100
Other						
High Activity Sealed Sources (HASS) Directive[2]	6,000	-	-	-	-	6,000
Contractual Commitment to cover demobilisation costs – Warm Front contract with Eaga Plc	-	-	7,500	-	-	7,500
Total	**33,014**	**(3,414)**	**7,500**	**-**	**-**	**37,100**

1 For Director liabilities for existing financial or contractual commitments in the event of a curtailment of Departmental funding.

2 A possible obligation under the High Activity Sealed Sources (HASS) Directive, to meet the costs of retrieving and disposing of sealed radioactive sources in the event that a company keeping such sources becomes insolvent.

29.2 Unquantifiable

The Department has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability requiring disclosure under IAS 37 since the possibility of an outflow of economic benefits in settlement is too remote.

Statutory Indemnities

- Indemnity in respect of National Grid Company's liabilities re: the interconnector linking the UK and France.

Indemnities to Directors

- Indemnities have been given to the Directors appointed by the Department to Enrichment Holdings Limited, Enrichment Investments Limited and Urenco Limited. These indemnities are against personal liability following any legal action against the Company.

Letters of Comfort

- Letter of comfort to AEA Technology re: joint European project for the underground gasification of coal.

Other

- Statutory liability for third party claims in excess of the operator's liability in the event of a nuclear accident in the UK.

These liabilities are unquantifiable due to the nature of the liability and the uncertainties surrounding them.

30 Losses and special payments

The disclosures in this note are in accordance with Managing Public Money. The purpose is to report on losses and special payments, which are of particular interest to Parliament.

30.1 Losses statement

	2009–10 £'000	2008–09 £'000
Total	**465**	**283**
	796 cases	591 cases

There were no cases over £250,000.

30.2 Special payments

There was one case of an ex-gratia payment of £45,000 made during the financial year.

31 Related-party transactions

The Department is the sponsor of the Non-Departmental Public Bodies shown in Annex 5 to this report. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

The Department also has had various material transactions with other Government Departments and Government bodies. The most significant of these transactions have been with the Department for Business, Innovation and Skills (BIS), and the Department for Environment, Food and Rural Affairs (Defra).

Mike Blackburn was the Department's Interim Finance Director until 22 July 2009. He is a Director of Acadent Limited, a company which supplies consultants and interim managers. During the year the Department used Acadent to provide the services of interim staff. The total spend, including VAT, by the Department with Acadent during the year was £138,717 (2008–09: £256,916).

No DECC Ministers or other Management Board members have undertaken any material transaction with the Department during the year.

32 Events after the reporting period

There were no significant events after the reporting period that require disclosure, other than noted below.

Non-adjusting events after the reporting period

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Department provides to employees.

Recommendations have been made by GAD on the estimation of future liabilities relating to the Concessionary fuel scheme as described in Note 21.2, these will be reflected in the valuation of the provision when the recommendations have been fully implemented in the Autumn of 2010.

Date accounts authorised for issue

The Accounting Officer of the Department has authorised these accounts to be issued on 22 July 2010.

33 Third-party assets

The following are balances in accounts held in DECC's name at commercial banks but which are not DECC monies. They are held or controlled for the benefit of third parties. These are not departmental assets and are not included in these Resource Accounts. The assets held at the year end to which it was practical to ascribe monetary values comprised monetary assets such as bank balances.

The Department held contributions from other Government Departments to the Government Carbon Offsetting Fund, to offset emissions arising from official and ministerial air travel in the three years from April 2006. These funds were used to purchase Certified Emissions Reductions (CERs) credits. There were no contributions held at the year end. DECC has collaborated with Buying Solutions to deliver a new contract (GCOF II) for public sector organisations that facilitates carbon offsetting from emissions created in the period 1 April 2009 to 31 March 2012.

The Department holds £20m at bank, transferred from BNFL plc to meet the potential future capitalisation requirements of the National Nuclear Laboratory Ltd. These monies are held in a public bank account, the OPG (Office of the Paymaster General) in the name of NNL Holdings Limited and may only be utilised with Departmental and Treasury approval.

	Bank balances
	£'000
At 1 April 2009	1,428
Gross inflows	21,995
Gross outflows	(3,423)
At 31 March 2010	**20,000**

34 Entities within the departmental boundary

A list of these bodies within the departmental boundary can be found in Annex 5 of this report. There are no bodies within the Department's accounting boundary that require consolidation into the Resource Accounts.

35 EU Emissions Trading Scheme receipts

The Department's accounts for 2008–09 disclosed £94,552,000 of income from the EU Emissions Trading Scheme which was paid to the Consolidated Fund and was not classified as operating income. The receipts and payments are now brought to account in a separate Trust Statement, which is published alongside these Resource Accounts. Consequently, the comparative data has been re-stated as if the new arrangement i.e. the separate reporting of the EU ETS income, had been in place in the previous year.

The following note sets out how the 2008–09 published figures for the Department's accounts have been affected by these changes. The IFRS adjustments column is for information only, for a further detailed explanation of the IFRS adjustments please see Note 2 to these accounts.

Statement of Financial Position

	Previously reported 31 March 2009 £'000	Provision reclassification 31 March 2009 £'000	IFRS adjustment 31 March 2009 £'000	Adjustment for EU Emissions Trading Scheme 31 March 2009 £'000	Restated 31 March 2009 £'000
Non-current assets	474,291	–	–	–	474,291
Current assets	1,273,751	–	–	(40,424)	1,233,327
Total assets	1,748,042	–	–	(40,424)	1,707,618
Current liabilities	(982,341)	(396,056)	(1,984)	40,424	(1,339,957)
Non-current assets less net current liabilities	765,701	(396,056)	(1,984)	–	367,661
Non-current liabilities	(2,878,829)	396,056	–	–	(2,482,773)
Assets less liabilities	**(2,113,128)**	**–**	**(1,984)**	**–**	**(2,115,112)**
Total taxpayers' equity	**(2,113,128)**	**–**	**(1,984)**	**–**	**(2,115,112)**

Statement of Cash Flows

	Previously reported 2008-09 £'000	Adjustment for EU Emissions Trading Scheme 2008-09 £'000	Restated 2008-09 £'000
Net cash outflow from operating activities	(2,221,596)	–	(2,221,596)
Net cash outflow from investing activities	–	–	–
Net financing	2,900,000	–	2,900,000
Receipts due to the Consolidated Fund Which are outside the scope of the Department's activities	337,877	(94,552)	243,325
Payments of amounts due to the Consolidated Fund	(576,264)	54,128	(522,136)
Net increase in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund	440,017	(40,424)	399,593

There were no changes to the comparative figures in the Operating Cost Statement or the Statement of Changes in Taxpayers' Equity for the separate reporting of EU Emissions Trading Scheme.

36 New IFRSs in issue but not yet effective and FReM changes 2010–2011

New IFRSs that have an effective date after 31 March 2010 and which have an impact on DECC's future Resource Accounts together with major FReM changes for 2010–11 are set out below giving details of the potential impact (if known) and date at which DECC plans to apply the changes. The note also details early adoption of new IFRSs that have an effective date after 31 March 2010.

36.1 New Standards not yet effective and not applied in DECC's Financial Statements

IFRS9: Financial Instruments

This standard requires financial assets to be classified on the basis of the entity's business model and their contractual cash flow characteristics. The standard requires the assets to be measured initially at fair value, and subsequently at either fair value or amortised cost.

Applying this standard will lead to reclassifying:

- the Energy Efficiency Loans from "Loans and receivables" to "Amortised cost" as the business model objective is to collect the contractual cash flows and the contractual cash flows represent solely payment of principal; and
- Coal Pension Investments will be reclassified from "Available for sale assets" to "Fair value through other comprehensive expenditure".

The subsequent measurement is not expected to change as Energy Efficiency Loans will continue to be measured at amortised costs and the Coal Pension Investments will be measured at fair value using generally accepted estimation and valuation techniques.

The standard is effective for accounting periods beginning on or after 1 January 2013, DECC will apply the standard in its Resource Accounts when formally adopted in the FReM.

IAS 7: Statement of Cash Flows

IAS 7 has been amended to require only expenditure that results in the recognition of an asset to be classified as a cash flow from investing activities. This amendment is effective for accounting periods on or after 1 January 2010. DECC intends to apply this standard, in line with guidance contained in FReM 2010–11, in its Resource Accounts for 2010–11 and does not anticipate any significant impact on its application.

36.2 New standards adopted before effective date

IAS24: Related Party Disclosures (Revised)

The revised IAS24 exempts government controlled entities from disclosing transactions, balances and commitments with other government controlled entities. The effective date for application of this standard is for accounting periods on or after 1 January 2011 (earlier application permitted); DECC has applied this standard in its Resource Accounts for the current reporting period.

36.3 FReM changes 2010-2011

FReM 2010–11 – Removal of Cost of Capital charging in the accounts

FReM 2010–11 no longer requires the calculation of the cost of capital charge; DECC will apply this from next financial year's Resource Accounts onwards. DECC's capital charge in the current Resource accounts is a credit of £75.5m, next year the amount will be Nil and the 2009–10 comparatives restated.

FReM 2010–11 – Impairments

The adaptation of IAS 36 Impairment of Assets in FReM 2010–11 will allow the scoring of all impairments that are caused by a clear consumption of economic benefit to the Operating Cost Statement. This will be applied by DECC in next financial year's Resource Accounts, the impact of this change is not estimable for future periods.

Chapter 4

Trust statement

Principal Accounting Officer's Foreword to the Trust Statement

Scope

4.1 The Department of Energy and Climate Change (the Department) is responsible for the state of affairs relating to the collection and allocation of the EU Emissions Trading Scheme (EU ETS) receipts collected by the Department and of the expenses incurred in the collection of those insofar as they can properly be met by the EU ETS receipts; the revenue income and expenditure; and the cash flows for the year then ended.

4.2 The Trust Statement reports the revenues and expenditure and assets and liabilities relating to proceeds received from the UK auctions of European Allowances under Phase II of the EU ETS for the financial year 2009–10. These amounts are collected by the Department for payment into the Consolidated Fund.

4.3 This statement is also prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

Background

4.4 The EU ETS is designed to reduce greenhouse gas (GHG) emissions at least cost to the European economy. It also provides greater certainty that the UK and the EU will meet emission reduction targets.

4.5 The EU ETS works on a 'cap and trade' basis to deliver a set amount of emission reductions against a verified emissions baseline. Industry is allocated emissions 'allowances' (equivalent to one tonne of CO_2) which can then be traded. This is intended to encourage companies that are in a position to reduce emissions to do so and to sell any unused allowances.

4.6 The number of tradable allowances each installation will receive is established in the National Allocation Plan (NAP). The Emissions Trading Directive sets a limit that up to 10% of allowances may be auctioned. The UK NAP states that the UK will auction 7% of allowances, approximately 86 million, plus any surplus from the new Entrant Reserve and allowances from closures up to the 10% limit set by the Directive.

4.7 Installations covered by the EU ETS are in heavy emitting industries such as: electricity generation; iron & steel; mineral processing industries such as cement & lime manufacture; pulp and paper processing industries, glass manufacture, ceramics industries, refineries and offshore oil & gas production. Approximately 50% of the EU's CO_2 emissions are covered by the EU ETS. From 2012, emissions from aviation will be included in the EU ETS. From 2013, a number of additional industrial sectors and gases will be included in the EU ETS.

4.8 Phase I of the Scheme ran from 2005–2007. Phase II runs from 2008–2012 to coincide with the first Kyoto Commitment Period. Phase III of the Scheme runs from 2013–2020 under a single EU-wide cap with greater harmonisation of the rules.

4.9 In Phases I and II of the EU ETS, Member States were required to develop NAPs. Each plan set the overall cap for that Member State and the total amount of emissions allowed from each installation covered by the system. However, due to insufficient stringency in the System (i.e. the collective cap was not tight enough) and the intended closed nature of the "learning by doing" first Phase I, the carbon price collapsed to near zero by 2007. In Phase III there is a single EU wide cap with Member States required to produce National Implementation Measures by September 2011 which will set out how common EU rules are being implemented.

4.10 Phase II of the EU ETS has sixteen UK auctions, the majority of these auctions are wholly competitive auctions involving primary participants whilst certain auctions have facilities for non-competitive bidding.

4.11 UK EU ETS auctions are run by the UK's Debt Management Office on behalf of DECC and HMT. UK auctions are open to Primary Participants who are parties approved to bid both on their own account and on behalf of other parties (who are known as Indirect Bidders). Primary Participants must have an office in a member state, have the ability to meet their financial commitments, the ability to participate effectively in an auction on behalf of others and systems to prevent the disclosure of confidential information.

4.12 The UK has also run two non-competitive auctions aimed at smaller emitters within the EU ETS, who only need to buy a few allowances for regulatory compliance. Participants in the non-competitive auction must be EU ETS participants, are limited in the number of allowances they can purchase and have to accept the settlement price determined in the main competitive auction run on the same day.

Future developments

4.13 The Department has published a schedule of Phase II auctions until March 2011 and will announce the schedule for the rest of the Phase in due course, Phase III is due to run from 2013 and the EU wide rules for auctioning are currently being negotiated via the EU ETS Directive comitology process.

Financial Review

4.14 The UK held eight auctions during 2009–10 and two auctions in 2008–09 as shown in Note 2 to the Trust Statement, these generated income of £413,730,000 and £94,913,000 respectively. All the auctions were wholly competitive auctions apart from two, held on 7 January 2010 and 18 March 2010, in which a number of allowances were reserved for non-competitive auctions.

4.15 For each auction the total amount received was passed to HM Treasury's Consolidated Fund within a few days of the auction. The timing of the revenues in euros and onward transfer in sterling gave rise to exchange differences in the case of each auction totalling £602,000 (2008–09: £361,000) which are recognised in the Statement of Revenue and Expenditure.

4.16 The costs associated with administering the scheme were borne by the Department as shown in Note 3 and included within the Department's Resource Accounts.

Auditors

4.17 These financial statements have been audited, under the Government Resources and Accounts Act 2000, by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament. The audit opinion is on pages 123 to 124. The auditors' notional remuneration is included within the Department's Resource Accounts. There were no fees in respect of non-audit work.

Basis for preparation

4.18 The HM Treasury Accounts Direction, issued under section 7(2) of the Government Resources and Accounts Act 2000, requires the Department to prepare the Trust Statement to give a true and fair view of the state of affairs relating to the collection and allocation of the carbon allowance auction receipts for the EU Emissions Trading Schemes and the revenue income and expenditure and cash flows for the financial year. Regard is given to all relevant accounting and disclosure requirements given in Managing Public Money and other guidance issued by HM Treasury.

Accounting judgements

4.19 As Principal Accounting Officer, it is my responsibility to apply suitable accounting policies in the preparation of the Trust Statement. Revenues are recognised in the period in which the event that generates the revenue takes place, consequently the anticipated proceeds from future auctions as detailed in Note 2 are not recognised as assets within this statement.

4.20 All the transactions within the Trust Statement reflect cash movements and consequently do not require accounting judgements to be made.

Events after the reporting period

4.21 Details of events after the reporting period are given in Note 7 to the Trust Statement.

Reporting for 2008–09

4.22 This is the first Trust Statement prepared by the Department as required by HM Treasury and in line with the Accounts Direction. The revenues and expenditure and assets and liabilities relating to the EU ETS auctions were previously brought to account in the Department's 2008-09 Resource Accounts.

4.23 This Trust Statement has been prepared with comparative data for the 2008-09 reporting period and the Department's Resource Accounts have been restated as shown in note 35 to the Resource Accounts.

Moira Wallace
Principal Accounting Officer and Permanent Secretary

16 July 2010

Statement of the Principal Accounting Officer's Responsibilities in Respect of the Trust Statement

4.24 Under section 7 of the Government Resources and Accounts Act 2000, HM Treasury has directed the Department of Energy and Climate Change to prepare for each financial year a Trust Statement in the form and on the basis set out in the Accounts Direction.

4.25 HM Treasury has appointed the Permanent Secretary as Principal Accounting Officer of the Department of Energy and Climate Change with overall responsibility for preparing the Trust Statement and for transmitting it to the Comptroller and Auditor General.

4.26 The Principal Accounting Officer is responsible for ensuring that there is a high standard of financial management, including a sound system of internal control; that financial systems and procedures promote the efficient and economical conduct of business and safeguard financial propriety and regularity; that financial considerations are fully taken into account in decisions on policy proposals; and that risk is considered in relation to assessing value for money.

4.27 The Principal Accounting Officer is also responsible for the fair and efficient administration of the EU Emissions Trading Scheme (EU ETS) which is one of the policies being introduced across Europe to reduce emissions and is a high priority of the UK Government, including conducting the auction of EU Allowances in the UK for Phase II of the Scheme, collection of the proceeds and onward transmission of the funds in their entirety to the Consolidated Fund.

4.28 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which an Accounting Officer is answerable, for keeping proper records and for safeguarding the Department's assets, are set out in the Accounting Officers' Memorandum issued by HM Treasury and published in Managing Public Money.

4.29 The Trust Statement is prepared on an accruals basis and must give a true and fair view of the state of affairs of the EU ETS, including the revenue collected and expenditure incurred in respect of the EU ETS during the year, together with the net amounts surrendered to the Consolidated Fund.

4.30 In preparing the Trust Statement, the Principal Accounting Officer is required to comply with the requirements of the Government Financial manual and in particular to:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the account; and
- prepare the Trust Statement on a going concern basis.

Statement on Internal Control

4.31 The Department's Statement on Internal Control, covering both the Resource Accounts and the Trust Statement, is shown on pages 43 to 50.

The Certificate and Report of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the Department of Energy and Climate Change's (the Department's) Trust Statement for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000. The Trust Statement comprises the Statement of Revenue and Expenditure, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The Trust Statement has been prepared under the accounting policies set out within the notes to the Statement.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of the Principal Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Trust Statement

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the revenue and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects the revenue and expenditure have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Financial Statements

Opinion on Financial Statements

In my opinion:

- the Trust Statement gives a true and fair view, in accordance with the Government Resources and Accounts Act 2000 and directions made thereunder by HM Treasury, of the state of affairs as at 31 March 2010 relating to the collection and allocation of taxes, licence fees, fines and penalties by the Department and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met by the EU Emissions Trading Scheme receipts, and the revenue income and expenditure and the cash flows for the year then ended; and
- the Trust Statement has been properly presented in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion, the information given in the Principal Accounting Officer's Foreword to the Trust Statement for the financial year in which the financial statements are prepared is consistent with the financial statements.

Matters for which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157–197 Buckingham Palace Road
Victoria, London
SW1W 9SP

22 July 2010

Statement of Revenue and Expenditure

for the year ended 31 March 2010

	Note	2009–10 £'000	2008–09 £'000
Revenue			
EU Emissions Trading Scheme auction Income	2	413,730	94,913
Total revenue		413,730	94,913
Expenditure			
EU Emissions Trading Scheme costs	3	602	361
Total expenditure		602	361
Net revenue for the Consolidated Fund		**413,128**	**94,552**

There were no gains or losses accounted for outside the above Statement of Revenue and Expenditure.

The notes on pages 128 to 131 form part of this statement.

Statement of Financial Position

as at 31 March 2010

	Note	31 March 2010 £'000	31 March 2009 £'000
Current assets			
Cash and cash equivalents	4	-	40,424
Total current assets		-	40,424
Current liabilities			
Trade and other payables		-	-
Total current liabilities		-	-
Net current assets		-	40,424
Total assets less current liabilities		-	40,424
Total net assets		**-**	**40,424**
Represented by:			
Balance on Consolidated Fund account	5	**-**	**40,424**

Moira Wallace
Principal Accounting Officer and Permanent Secretary

16 July 2010

The notes on pages 128 to 131 form part of this statement.

Statement of Cash Flows

for the year ended 31st March 2010

	Note	2009–10 £'000	2008–09 £'000
Net cash flow from revenue activities		413,128	94,552
Cash paid to the Consolidated Fund		(453,552)	(54,128)
Increase/(decrease) in cash and cash equivalents		**(40,424)**	**40,424**
Notes to the Statement of Cash Flows			
Net increase/(decrease) in cash and cash equivalents		(40,424)	40,424
Net Funds as at 1 April	4	40,424	-
Net Funds as at 31 March	4	**-**	**40,424**

The notes on pages 128 to 131 form part of this statement.

Notes to the Trust Statement

1. Statement of accounting policies

The Trust Statement is prepared in accordance with the accounts direction issued by HM Treasury under section 7(2) of the Government Resources and Accounts Act 2000. The Trust Statement is prepared in accordance with the accounting policies detailed below. These have been agreed between the Department of Energy and Climate Change (the Department) and HM Treasury and have been developed with reference to International Financial Reporting Standards (IFRS) and other relevant guidance. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The income and associated expenditure contained in the Trust Statement are those which the Department handles on behalf of the Consolidated Fund and where it is acting as agent rather than principal.

The financial information in the Trust Statement is rounded to the nearest £'000.

The Trust Statement is presented in pounds sterling, which is the functional currency of the Department.

1.1 Accounting convention

The Trust Statement has been prepared in accordance with the historical cost convention.

1.2 Revenue recognition

EU Emissions Trading Scheme receipts represent proceeds from the auction of carbon allowances under Phase II of the EU Emissions Trading Scheme. Revenue is measured at the fair value of the amounts received or receivable and is recognised at the close of each competitive auction, when the revenue can be measured reliably.

1.3 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Department becomes a party to the contractual provisions of an instrument.

1.4 Financial assets

The Department classifies financial assets into the following categories:

- Loans and receivables; and
- Cash and cash equivalents.

Loans and receivables comprise the amounts due from Primary Participants in respect of established auction liabilities for which, at the financial year end, payments had not been received. The amounts due are measured at fair value calculated at the close of each auction and have a maturity of less than three months. The carrying amount of these assets approximates to their fair value.

Cash and cash equivalents comprise cash in hand and current balances with banks and other financial institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have an original maturity of three months or less. The carrying amount of these assets approximates to their fair value.

1.5 Foreign currency

Transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction. Monetary assets and liabilities denominated in foreign currency at the year end are translated at the rates ruling at that date. All translation differences are included in the Statement of Revenue and Expenditure for the period.

1.6 First time reporting

This is the first Trust Statement prepared by the Department as required by HM Treasury and in line with the Accounts Direction on page 15. The comparative figures were previously reported within the Department's 2008–09 Resource Accounts (HC number 452).

2. Revenue

EU Emissions Trading Scheme auction income

			2009–10	2008–09
Auction date	**Auction type**	**Allowances auctioned**	**£'000**	**£'000**
19 November 2008	Competitive	3,999,875	-	54,443
24 March 2009	Competitive	3,999,226	-	40,470
4 June 2009	Competitive	4,200,000	50,231	-
9 July 2009	Competitive	4,199,660	48,467	-
10 September 2009	Competitive	4,199,840	55,606	-
8 October 2009	Competitive	4,199,925	51,532	-
5 November 2009	Competitive	4,199,480	53,370	-
7 January 2010	Competitive	4,886,750	53,392	-
7 January 2010	Non-competitive	13,201	144	-
4 February 2010	Competitive	4,399,950	48,670	-
18 March 2010	Competitive	4,498,330	52,306	-
18 March 2010	Non-competitive	1,000	12	-
Total			**413,730**	**94,913**

Income comprises cash receipts from the auctions of carbon allowances. Where there are non-competitive auctions, they take place at the same day as the competitive auction.

Future planned dates for the carbon allowances auctions under Phase II of the EU ETS, along with the number of units to be auctioned on each date are given below. The dates and volumes may be subject to change and further information is available on the Debt Management Office Website: www.dmo.gov.uk

Auction Date	Allowances for auction
10 June 2010	4,400,000
8 July 2010	4,400,000
9 September 2010	4,400,000
7 October 2010	4,400,000
4 November 2010	4,400,000
13 January 2011	4,400,000
10 February 2011	4,400,000
10 March 2011	4,400,000

3. EU Emissions Trading Scheme costs

	2009–10 £'000	2008–09 £'000
Foreign currency translation costs	602	361
Total	**602**	**361**

In addition to the costs above the Department incurred expenditure of £705,000 (2008–09: £967,000) in administering the Scheme. This expenditure is included in the Department's Resource Accounts because there is no express statutory provision for these costs to be deducted from the revenue collected and paid over to the Consolidated Fund.

4. Cash and cash equivalents

	31 March 2010 £'000	31 March 2009 £'000
Balance as at 1 April	40,424	-
Net change in cash and cash equivalent balances	(40,424)	40,424
Balance at 31 March	**-**	**40,424**

	31 March 2010 £'000	31 March 2009 £'000
The following balance at 31 March were held at:		
Bank of England	-	40,424
Total	-	**40,424**

5. Balance on the Consolidated Fund

	£'000	£'000
Balance on the Consolidated Fund as at 1 April 2009	40,424	-
Net revenue for the Consolidated Fund	413,128	94,552
Less amounts paid to the Consolidated Fund	(453,552)	(54,128)
Balance on the Consolidated Fund as at 31 March 2010	**-**	**40,424**

6. Financial instruments

6.1 Classification and categorisation of financial instruments

	Note	31 March 2010 £'000	31 March 2009 £'000
Financial assets:			
Cash and cash equivalents	4	-	40,424
Total loans and receivables		**-**	40,424

6.2 Risk exposure to financial instruments

The EU Emissions Trading Scheme is exposed to foreign currency risk due to the timing difference in recognising the proceeds at the auction exchange rate and the date at which the proceeds are converted into sterling, which is two days after the close of the auction; this results in either an exchange loss or gain. As shown in note 3 there was an exchange loss incurred this financial year of £602,000 (2008–09: £361,000). The scheme is not exposed to interest rate or liquidity risk and its exposure to market risk is limited due to there being a current demand for carbon allowances.

Information which will allow Trust Statement users to evaluate the significance of financial instruments on the Department's financial performance and position and the nature and extent of the Department's exposure to other risks arising from financial instruments can be found in Note 27 to the Department's Resource Accounts.

7. Events after the reporting period

As stated in note 2 the auction of 4,400,000 carbon allowances took place on 10 June 2010 and 8 July 2010. The results of these auctions are as follows:

Auction date	Auction type	Allowances auctioned	Income £'000
10 June 2010	Competitive	4,399,560	56,506
8 July 2010	Competitive	4,399,750	53,729

These receipts will be brought to account in the Trust Statement for 2010–11.

Date Trust Statement authorised for issue

The Principal Accounting Officer has authorised this Trust Statement to be issued on 22 July 2010.

Accounts Direction Given by HM Treasury

ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 7(2) OF THE GOVERNMENT RESOURCES AND ACCOUNTS ACT 2000.

This direction applies to the Department of Energy and Climate Change ("the Department") for the EU Emissions Trading Scheme (EU ETS) receipts.

The Department shall prepare a Trust Statement ("the Statement") for the financial year ended 31 March 2010 in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual by HM Treasury ("FReM") which is in force for that financial year.

The Statement shall be prepared so as to give a true and fair view of (a) the state of affairs relating to the collection and allocation of taxes, licence fees, fines and penalties collected by the Department and of the expenses incurred in the collection of those taxes, licence fees, fines and penalties insofar as they can properly be met by the EU ETS receipts; (b) the revenue income and expenditure; and (c) the cash flows for the year then ended.

The statement shall also be prepared so as to provide disclosure of any material expenditure or income that has not been applied to the purposes intended by Parliament or material transactions that have not conformed to the authorities which govern them.

When preparing the Statement, the Department shall have regard to the guidance given in the Appendix to this direction. The Department shall also agree the format of the Principal Accounting Officer's Foreword to the Statement and the supporting notes; and the accounting policies to be adopted, particularly in relation to revenue recognition with HM Treasury. Regard shall also be given to all relevant accounting and disclosure requirements in *Managing Public Money* and other guidance issued by HM Treasury, and to the principles underlying the International Financial Reporting Standards.

The Statement shall be transmitted to the Comptroller and Auditor General for the purpose of his audit examination report by a date agreed with the Comptroller and Auditor General and HM Treasury to ensure compliance with the administrative deadline for laying the audited accounts before Parliament before the Summer Recess.

The Trust Statement, together with this direction, (but with the exception of the appendix) and the Report produced by the Comptroller and Auditor General, under section 7(2) of the Government Resources and Accounts Act 2000, shall be laid before Parliament at the same time as the Department's Resource Accounts for the year unless the Treasury have agreed that the Trust Statement may be laid at a later date.

CHRIS WOBSCHALL
Head, Assurance and Financial Reporting Policy
HM Treasury

30 March 2010

Annex 1

Expenditure tables

Table 1: Total Departmental Spending

£'000

	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Estimated Outturn	2010–11 Plans	2011–12 Plans	2012–13 Plans
Resource budget									
Resource DEL									
Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK; securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; managing historic energy liabilities effectively and responsibly	898,951	659,477	917,300	678,673	291,776	1,229,752	1,198,587	-	-
Total resource budget DEL	**898,951**	**659,477**	**917,300**	**678,673**	**291,776**	**1,229,752**	**1,198,587**	**-**	**-**

£'000

	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Estimated Outturn	2010–11 Plans	2011–12 Plans	2012–13 Plans
Resource AME									
Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK; securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; managing historic energy liabilities effectively and responsibly	276,400	6,412,024	6,853,109	7,274,092	2,403,907	11,947	2,006,995	-	-
Total resource budget AME	**276,400**	**6,412,024**	**6,853,109**	**7,274,092**	**2,403,907**	**11,947**	**2,006,995**	**-**	**-**
Total resource budget	**622,551**	**7,071,501**	**7,770,409**	**7,952,765**	**2,695,683**	**1,241,699**	**3,205,582**	**-**	**-**
of which: depreciation	1,737	1,329,376	461,734	676,293	452,836	190,444	608,665	-	-
Capital budget									
Capital DEL									
Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK; securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; managing historic energy liabilities effectively and responsibly	222,053	1,268,176	1,462,897	1,485,172	1,666,354	1,806,610	1,922,026	-	-
Total capital budget DEL	**222,053**	**1,268,176**	**1,462,897**	**1,485,172**	**1,666,354**	**1,806,610**	**1,922,026**	**-**	**-**

£'000

	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Estimated Outturn	2010–11 Plans	2011–12 Plans	2012–13 Plans
Capital AME									
Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK; securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; managing historic energy liabilities effectively and responsibly	–328,000	–440,280	–569,000	–419,000	–279,000	–337,300	–77,800	-	-
Total capital budget AME	**–328,000**	**–440,280**	**–569,000**	**–419,000**	**–279,000**	**–337,300**	**–77,800**	**-**	**-**
Total capital budget	**–105,947**	**827,896**	**893,897**	**1,066,172**	**1,387,354**	**1,469,310**	**1,844,226**	**-**	**-**
Total departmental spending†									
Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK; securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; managing historic energy liabilities effectively and responsibly	514,867	6,570,021	8,202,572	8,342,644	3,630,201	2,520,565	4,441,143	-	-
Total departmental spending†	**514,867**	**6,570,021**	**8,202,572**	**8,342,644**	**3,630,201**	**2,520,565**	**4,441,143**	**-**	**-**
of which:									
Total DEL	1,119,267	1,923,615	2,373,931	2,156,908	1,954,197	3,023,451	3,111,948	-	-
Total AME	–604,400	4,646,406	5,828,641	6,185,736	1,676,004	502,886	1,329,195	-	-

† *Total departmental spending is the sum of the resource budget and the capital budget* less *depreciation. Similarly, total DEL is the sum of the resource budget DEL and capital budget DEL* less *depreciation in DEL, and total AME is the sum of resource budget AME and capital budget AME* less *depreciation in AME.*

£'000

	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Estimated Outturn	2010–11 Plans	2011–12 Plans	2012–13 Plans
Spending by local authorities on functions relevant to the department									
Current spending	**-**	**-**	**-**	**-**	**-**	**-**			
of which:									
financed by grants from budgets above	-	-	-	-	-	-			
Capital spending	**-**	**-**	**-**	**-**	**-**	**-**			
of which:									
financed by grants from budgets above††	-	-	-	-	-	-			

†† This includes loans written off by mutual consent that score within non-cash Resource Budgets and aren't included in the capital support to local authorities line in Table 3.

Table 2: Resource budget DEL and AME

£'000

	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Estimated Outturn	2010–11 Plans	2011–12 Plans	2012–13 Plans
Resource DEL									
Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK; securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; managing historic energy liabilities effectively and responsibly	898,951	659,477	917,300	678,673	291,776	1,229,752	1,198,587	-	-
of which:									
Supporting affordable, secure and sustainable energy	82,603	66,017	64,721	70,927	69,165	80,222	79,148	-	-
Managing historic energy liabilities effectively and responsibly	537,795	321,518	601,229	348,346	-65,040	833,174	807,844	-	-
Bringing about a low-carbon UK	183,024	174,104	140,287	117,774	153,773	188,145	178,425	-	-
Developing an international agreement on climate change	15,471	20,393	39,854	49,742	22,790	4,276	11,497	-	-
Promoting low carbon technologies in developing countries	-	-	-	-	23,222	4,257	-	-	-
Professional support & infrastructure	80,058	77,445	71,209	91,884	87,866	119,678	121,673	-	-
Total resource budget DEL	**898,951**	**659,477**	**917,300**	**678,673**	**291,776**	**1,229,752**	**1,198,587**	**-**	**-**
of which:†									
Pay	61,260	84,014	96,210	102,813	136,673	103,251	100,502	-	-
Procurement	751,866	486,758	714,104	451,915	18,118	876,601	906,747	-	-
Current grants and subsidies to the private sector and abroad	105,695	108,500	102,819	116,932	113,485	211,018	165,329	-	-
Current grants to local authorities	-	-	-	-	-	-	-	-	-
Depreciation	1,737	4,038	6,266	6,937	3,933	12,911	8,665	-	-

£'000

	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Estimated Outturn	2010–11 Plans	2011–12 Plans	2012–13 Plans
Resource AME									
Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK; securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; managing historic energy liabilities effectively and responsibly	–276,400	6,412,024	6,853,109	7,274,092	2,403,907	11,947	2,006,995	-	-
of which:									
Supporting affordable, secure and sustainable energy	–744	-	-	1	2	-	-	-	-
Managing historic energy liabilities effectively and responsibly	–275,656	6,412,024	6,853,106	7,274,091	2,403,854	11,947	2,006,995	-	-
Bringing about a low-carbon UK	-	-	3	-	-	-	-	-	-
Professional support & infrastructure	-	-	-	-	51	-	-	-	-
Total resource budget AME	**–276,400**	**6,412,024**	**6,853,109**	**7,274,092**	**2,403,907**	**11,947**	**2,006,995**	**-**	**-**
of which:†									
Pay	-	-	-	-	-	-	-	-	-
Procurement	10,872	3,014	1,960	-70,149	52,171	1,094	33,000	-	-
Current grants and subsidies to the private sector and abroad	873,220	1,036,673	823,494	696,911	299,410	155,602	36,000	-	-
Current grants to local authorities	-	-	-	-	-	-	-	-	-
Depreciation	-	1,325,338	455,468	669,356	448,903	177,533	600,000	-	-
Total resource budget	**622,551**	**7,071,501**	**7,770,409**	**7,952,765**	**2,695,683**	**1,241,699**	**3,205,582**	**-**	**-**

† The economic category breakdown of resource budgets only shows the main categories, so may not sum to the total. The breakdown may even exceed the total where further income scores in resource budgets.

Table 3: Capital Budget DEL and AME

£'000

	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Estimated Outturn	2010–11 Plans	2011–12 Plans	2012–13 Plans
Capital DEL									
Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK; securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; managing historic energy liabilities effectively and responsibly	222,053	1,268,176	1,462,897	1,485,172	1,666,354	1,806,610	1,922,026	-	-
of which:									
Supporting affordable, secure and sustainable energy	29,307	17,979	4,116	1,522	204	1,688	-	-	-
Managing historic energy liabilities effectively and responsibly	–6,210	1,014,503	1,053,051	1,075,881	1,139,507	1,031,173	1,199,769	-	-
Bringing about a low-carbon UK	191,036	233,497	405,730	407,689	451,281	668,560	472,257	-	-
Developing an international agreement on climate change	7,920	1,460	-	80	25,362	-	-	-	-
Promoting low carbon technologies in developing countries	-	737	-	-	50,000	100,000	250,000	-	-
Professional support & infrastructure	-	-	-	-	-	5,189	-	-	-
Total capital budget DEL	**222,053**	**1,268,176**	**1,462,897**	**1,485,172**	**1,666,354**	**1,806,610**	**1,922,026**	**-**	**-**
of which:									
Capital expenditure on fixed assets net of sales†	–1,121	1,014,503	1,053,051	1,075,881	1,139,571	1,036,511	1,199,769	-	-
Capital grants to the private sector and abroad	223,174	253,732	409,846	409,291	516,583	647,471	717,544	-	-
Net lending to private sector	-	-	-	-	-	54,098	1,050	-	-
Capital support to public corporations	-	-	-	-	-	-	-	-	-
Capital support to local authorities††	-	-	-	-	-	-	-	-	-
Capital AME									

£'000

	2004–05 Outturn	2005–06 Outturn	2006–07 Outturn	2007–08 Outturn	2008–09 Outturn	2009–10 Estimated Outturn	2010–11 Plans	2011–12 Plans	2012–13 Plans
Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK; securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; managing historic energy liabilities effectively and responsibly	–328,000	–440,280	–569,000	–419,000	–279,000	–337,300	–77,800	-	-
of which:									
Managing historic energy liabilities effectively and responsibly	–328,000	–440,280	–569,000	–419,000	–279,000	–337,300	–77,800	-	-
Total capital budget AME	**–328,000**	**–440,280**	**–569,000**	**–419,000**	**–279,000**	**–337,300**	**–77,800**	**-**	**-**
Total capital budget	**–105,947**	**827,896**	**893,897**	**1,066,172**	**1,387,354**	**1,469,310**	**1,844,226**	**-**	**-**
Of which:									
Capital expenditure on fixed assets net of sales†	-1,121	1,014,503	1,053,051	1,075,881	1,139,571	1,036,511	1,199,769	-	-
Less depreciation†††	1,737	1,329,376	461,734	676,293	452,836	190,444	608,665	-	-
Net capital expenditure on tangible fixed assets	–2,858	–314,873	591,317	399,588	686,735	846,067	591,104	-	-

† Expenditure by the Department and NDPBs on land, buildings and equipment, net of sales. Excludes spending on financial assets and grants, and public corporations' capital expenditure.

†† This does not include loans written off by mutual consent that score within non-cash Resource Budgets.

††† Included in Resource Budget.

Table 4: Capital employed

	2007-08 outturn £'000	2008-09 outturn £'000	2009-10 outturn £'000	2010-11 plans £'000
Assets and liabilities in the Statement of Financial Position at year end:				
Assets				
Non-current assets				
Property, plant and equipment	5,893	4,711	8,426	6,781
of which:				
Scientific equipment	443	130	0	0
Information technology	5,431	4,572	6,825	5,288
Furniture, fixtures and fittings	0	0	1,600	1,245
Office machinery and equipment	19	9	1	0
Intangible assets	0	0	0	248
Financial assets	2,972,927	469,580	646,227	569,477
Current assets				
Trade and other receivables	130,913	153,885	109,664	109,664
Financial assets	279,000	417,540	97,216	97,216
Cash and cash equivalents	262,291	661,902	272,529	272,529
Liabilities				
Current Liabilities				
Trade and other payables	(345,000)	(943,901)	(618,188)	(618,188)
Provisions – coal	(361,100)	(191,141)	(123,155)	(91,264)
Provisions – nuclear	(205,700)	(204,915)	(214,031)	(221,013)
Non-current liabilities				
Trade and other payables	-	-	(264)	(264)
Provisions – coal	(466,854)	(534,522)	(516,847)	(436,533)
Provisions – nuclear	(2,114,784)	(1,948,251)	(1,865,660)	(1,747,894)
Capital employed within main Department	**157,586**	**(2,115,112)**	**(2,204,083)**	**(2,059,489)**
NDPB total assets less liabilities	**(44,105,365)**	**(45,415,367)**	**(45,404,884)**	**(45,391,601)**
Total capital employed in Departmental Group	**(43,947,779)**	**(47,530,479)**	**(47,608,967)**	**(47,451,090)**

Table 5: Administration Costs

									£'000
	2004–05 Outturn	**2005–06 Outturn**	**2006–07 Outturn**	**2007–08 Outturn**	**2008–09 Outturn**	**2009–10 Estimated Outturn**	**2010–11 Plans**	**2011–12 Plans**	**2012–13 Plans**
Administration Expenditure									
Paybill	55,913	51,341	49,195	54,111	50,237	56,253			
Other	24,145	26,104	22,014	37,773	39,265	45,047			
Total administration expenditure	**80,058**	**77,445**	**71,209**	**91,884**	**89,502**	**101,300**	**109,397**	**-**	**-**
Administration income	-	-	-	-	1,636	1,179	1,313	-	-
Total administration budget	**80,058**	**77,445**	**71,209**	**91,884**	**87,866**	**100,121**	**108,084**	**-**	**-**
Analysis by activity									
Supporting the provision of energy that is affordable, secure and sustainable; bringing about a low carbon UK; securing an international agreement on climate change; promoting low carbon technologies at home and in developing countries; managing historic energy liabilities effectively and responsibly	80,058	77,445	71,209	91,884	87,866	100,121	108,084	-	-
Total administration budget	**80,058**	**77,445**	**71,209**	**91,884**	**87,866**	**100,121**	**108,084**	**-**	**-**

Table 6: Staff in post

	2007–08 Actual	**2008–09 Actual**	**2009–10 Actual**
Full time employees	730.3	768.1	948.2
Others	94.5	122.5	147.5
Total	824.8	890.6	1095.7

1 **Tables 7, 8 and 9** show analyses of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in Chapter 9 of Public Expenditure Statistical Analyses (PESA) 2010. The figures were taken from the HM Treasury public spending database in December 2009 and the regional distributions were completed in January and February 2010. Therefore the tables may not show the latest position and are not consistent with other tables in the Departmental Report.

2 The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the department and its NDPBs, and public corporations' capital expenditure, but do not include capital finance to public corporations. They do not include payments to local authorities or local authorities own expenditure.

3 TES is a near-cash measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2010.

4 The data are based on a subset of spending – identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions. Expenditure that is incurred for the benefit of the UK as a whole is excluded.

5 Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

2.6 The functional analyses of spending in **Table 9** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in chapter 9 of PESA 2010. These are not the same as the strategic priorities shown elsewhere in the report.

Table 7: Total identifiable expenditure on services by country and region, 2004–05 to 2010–11

£ million

	National Statistics						
	2004–05 outturn	2005–06 outturn	2006–07 outturn	2007–08 outturn	2008–09 outturn	2009–10 plans	2010–11 plans
North East	220	260	219	190	142	96	74
North West	202	411	1,114	866	753	1,159	1,176
Yorkshire and the Humber	346	375	346	308	224	173	144
East Midlands	200	203	200	180	166	131	119
West Midlands	133	163	164	157	160	139	122
East	107	140	180	150	120	152	155
London	73	81	100	102	125	136	141
South East	183	452	307	310	238	331	338
South West	93	179	115	242	208	305	313
Total England	**1,557**	**2,264**	**2,743**	**2,505**	**2,136**	**2,623**	**2,582**
Scotland	269	673	369	328	243	326	332
Wales	165	207	280	122	105	101	88
Northern Ireland	2	2	1	1	1	1	1
UK identifiable expenditure	**1,994**	**3,146**	**3,393**	**2,957**	**2,486**	**3,051**	**3,002**
Outside UK	45	50	41	51	51	53	53
Total identifiable expenditure	**2,039**	**3,196**	**3,434**	**3,008**	**2,537**	**3,103**	**3,055**
Non-identifiable expenditure	3	0	0	0	45	33	15
Total expenditure on services	**2,042**	**3,196**	**3,434**	**3,008**	**2,582**	**3,137**	**3,070**

Table 8: Total identifiable expenditure on services by country and region, per head 2004–05 to 2010–11

£

	National Statistics						
	2004-05 outurn	2005–06 outturn	2006–07 outturn	2007–08 outturn	2008–09 outturn	2009–10 plans	2010–11 plans
North East	87	102	86	74	55	37	29
North West	30	60	163	126	110	167	169
Yorkshire and the Humber	68	73	67	60	43	33	27
East Midlands	47	47	46	41	37	29	26
West Midlands	25	30	31	29	30	26	22
East	19	25	32	26	21	26	27
London	10	11	13	14	16	18	18
South East	23	55	37	37	28	39	40
South West	18	35	22	47	40	58	59
England	**31**	**45**	**54**	**49**	**42**	**51**	**49**
Scotland	53	132	72	64	47	63	64
Wales	56	70	94	41	35	34	29
Northern Ireland	1	1	1	1	1	0	1
UK identifiable expenditure	**33**	**52**	**56**	**48**	**41**	**49**	**48**

Table 9: Total identifiable expenditure on services by function, country and region, for 2008–09

Data in this table are National Statistics — £ million

	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK Identifiable expenditure	OUTSIDE UK	Total Identifiable expenditure	Not Identifiable	Totals
General public services																		
Executive and legislative organs, financial and fiscal, external affairs	0.5	1.4	1.1	0.9	1.1	1.2	1.6	1.7	1.1	10.7	1.1	0.6	0.4	12.7	48.6	61.4	0.0	61.4
Total general public services	**0.5**	**1.4**	**1.1**	**0.9**	**1.1**	**1.2**	**1.6**	**1.7**	**1.1**	**10.7**	**1.1**	**0.6**	**0.4**	**12.7**	**48.6**	**61.4**	**0.0**	**61.4**
Public order and safety																		
Police services	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.3	0.1	0.0	0.0	0.3	0.0	0.3	0.0	0.3
of which: other police services	*0.0*	*0.1*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*0.1*	*0.3*	*0.1*	*0.0*	*0.0*	*0.3*	*0.0*	*0.3*	*0.0*	*0.3*
Total public order and safety	**0.0**	**0.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.1**	**0.1**	**0.3**	**0.1**	**0.0**	**0.0**	**0.3**	**0.0**	**0.3**	**0.0**	**0.3**

Data in this table are National Statistics — £ million

	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK Identifiable expenditure	OUTSIDE UK	Total Identifiable expenditure	Not Identifiable	Totals
Economic affairs																		
General economic, commercial and labour affairs	2.0	5.3	4.0	3.4	4.1	4.4	5.8	6.4	4.0	39.4	0.0	0.0	0.0	39.4	0.0	39.4	0.0	39.4
Fuel and energy	90.5	105.8	104.3	84.5	52.9	32.0	36.4	55.1	61.0	622.5	111.3	93.4	0.2	827.3	0.2	827.5	0.0	827.5
Economic affairs n.e.c	6.0	12.4	8.7	7.8	6.5	5.6	6.9	9.3	8.1	71.1	8.3	4.7	0.2	84.3	2.2	86.5	0.0	86.5
Total economic affairs	**98.4**	**123.5**	**116.9**	**95.7**	**63.5**	**42.0**	**49.2**	**70.8**	**73.1**	**733.0**	**119.6**	**98.1**	**0.4**	**951.0**	**2.4**	**953.4**	**0.0**	**953.4**

Table 9: Total identifiable expenditure on services by function, country and region, for 2008–09

Data in this table are National Statistics	North East	North West	Yorkshire and The Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	UK Identifiable expenditure	OUTSIDE UK	Total Identifiable expenditure	Not Identifiable	Totals (£ million)
Environment protection																		
Waste management	0.0	492.9	0.0	0.0	0.0	19.7	0.0	69.0	77.7	659.4	114.5	0.0	0.0	773.9	0.0	773.9	0.0	773.9
Pollution abatement	7.9	22.4	15.0	14.2	14.9	26.2	29.0	39.2	17.7	186.4	4.9	0.9	0.0	192.2	0.0	192.2	21.9	214.1
Protection of biodiversity and landscape	1.9	3.3	19.2	18.7	12.9	3.3	6.5	5.3	2.6	73.7	2.8	5.7	0.8	83.0	0.0	83.0	0.0	83.0
R&D environment protection	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Environment protection n.e.c	33.6	109.8	71.4	36.3	67.7	28.1	38.8	51.9	35.4	473.1	0.0	0.0	0.0	473.1	0.0	473.1	23.2	496.3
Total environment protection	**43.5**	**628.4**	**105.6**	**69.2**	**95.4**	**77.3**	**74.3**	**165.4**	**133.4**	**1,392.5**	**122.3**	**6.6**	**0.8**	**1,522.2**	**0.0**	**1,522.2**	**45.1**	**1,567.3**
TOTAL DEPARTMENT FOR ENERGY AND CLIMATE CHANGE	**142.4**	**753.5**	**223.6**	**165.7**	**160.0**	**120.5**	**125.1**	**238.0**	**207.6**	**2,136.4**	**243.0**	**105.3**	**1.5**	**2,486.3**	**51.0**	**2,537.3**	**45.1**	**2,582.4**

Annex 2

Measuring our performance in 2009–10

Public Service Agreements, Departmental Strategic Objectives and the CSR07 efficiency programme target

Performance report on PSA 27

1 During the 2009–10 financial year, DECC was the lead department for PSA 27: To lead the global effort to avoid dangerous climate change. The following table details the PSA 27 developments during this period.

Indicator	Data statement	Departmental lead on indicator
1. Global CO_2 emissions to 2050	In 2008, the International Energy Agency (IEA) forecast that global CO_2 emissions from fuel combustion were likely to treble by 2050 compared with 1990 levels. An updated IEA forecast in 2009 indicates that global emissions are likely to be lower than the 2008 projection by 3% in 2009 and 5% in 2020. This indicator is long-term and relatively slow to change so DECC adopted a proxy measure to reflect progress under the United Nations Framework Convention on Climate Change (UNFCCC). This proxy measure was adopted as DECC's Departmental Strategic Objective 1, indicator 3. More information on this can be found under DSO1 reporting section below. See **Figure A.1** below. The graph shows the baseline projection made by IEA in 2006, and its most recent forecast produced in 2009. The indicator data comes from the IEA publications *Energy Technology perspectives: Scenarios and Strategies to 2050* and *World Energy Outlook 2009.* Data on actual emissions are updated annually and revised forecasts are produced every two years.	DECC

Indicator	Data statement	Departmental lead on indicator
2. Proportion of areas with sustainable abstraction of water	The indicator method was amended in 2009 to be more technically robust. However, it will take time to evaluate the impact of policies. Achieving sustainable abstraction of water is part of the effort to adapt to climate change. There was no significant change in the amount of water available for abstraction between 2007 and 2008. During 2009–10, short-term developments were therefore tracked by the number of notices the Environment Agency issued to licence holders to make compulsory changes to abstraction licences. Five such notices were issued in 2009–10. The data are covered by a quality assurance agreement between Defra and the Environment Agency and are produced annually via the EA's Catchment Abstraction Management System (CAMS).	Defra
3. Size of global carbon market	This indicator reflected progress towards a viable global carbon trading system. The largest system is the EU Emissions Trading Scheme (EU ETS). Its traded volume increased 105% between 2008 and 2009, contributing to an overall 80% increase in carbon trading around the world over the same period. The value of the market as a whole in 2009 was $144bn – an increase of 6% from 2008 ($135bn). See **figure A.2** below. The data are drawn from the World Bank report *State and trends of the global carbon market 2010*, which is published annually. World Bank figures have not been adjusted to take account of VAT fraud.	DECC

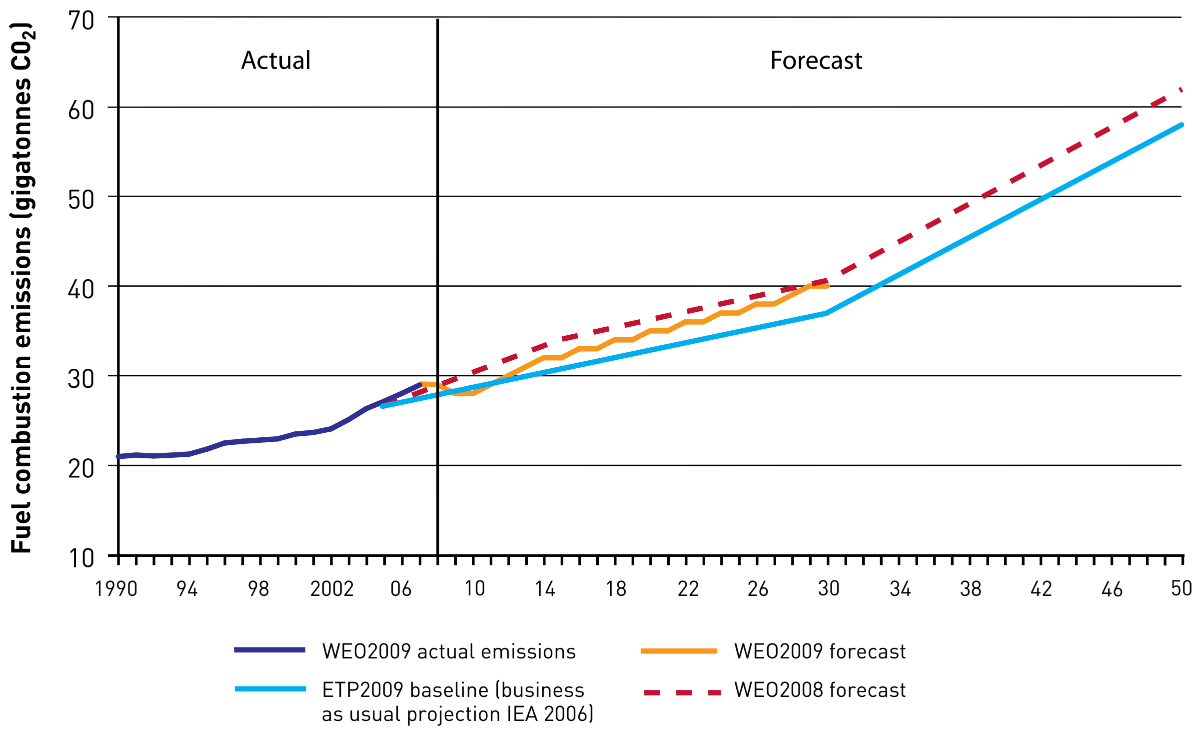
Indicator	Data statement	Departmental lead on indicator
4. Total UK greenhouse gas and CO_2 emissions	The UK's CO_2 emissions fell by 9.8% between 2008 and 2009 (provisional data). This resulted primarily from a significant fall in energy consumption, combined with fuel switching from coal to nuclear for electricity. There was also a reduction in demand for electricity and less fossil fuel consumption by business and households. The UK's total greenhouse gas emissions were down 8.6% between 2008 and 2009. See **figure A.3** below The data for this indicator are drawn from the UK Greenhouse Gas Inventory (GHGI) with an allowance for the verified emissions for volumes traded in the EU ETS (data collected by the Environment Agency) and published annually in *Energy Trends*. DECC has established a national system for inventory data provision, in accordance with Article 5 of the Kyoto Protocol and European Commission Decision 280/2004/EC to support compliance with the UK and EU's Kyoto Protocol commitments. The GHGI draws on many datasets from official statistics provided by other UK Government Departments and regulatory bodies. To ensure consistency of the supply of these datasets and to formalise the requirements of Quality Assurance systems and Quality Control, DECC and its contractor AEA have undertaken to implement a series of agreements with these data sources. Analysis by AEA indicates uncertainties in CO_2 emissions estimates are ±2%, and for the 'basket' of six non-CO_2 greenhouse gasses are about ±15%.	DECC
5. Greenhouse gas CO_2 intensity of the UK economy	Provisional data suggest that the CO_2 and greenhouse gas intensities of the UK economy fell by 5% and nearly 4% respectively between 2008 and 2009 (final data available in July 2010). This indicator is calculated from the level of the UK's CO_2 and greenhouse gas emissions (based on indicator 4 above) divided by the UK's Gross Domestic Product (data from the Office of National Statistics). See **figure A.4**.	DECC

<table>
<tr><th>Indicator</th><th>Data statement</th><th>Departmental lead on indicator</th></tr>
<tr>
<td>6. Proportions of emissions reductions from below the Shadow Price of Carbon</td>
<td>
This indicator measures the proportion of greenhouse gas reductions which were considered to have been achieved cost effectively[1]. Only policies that have a significant impact on greenhouse gas reductions and have published a Final Impact Assessment (IA) were included. In calculating cost effectiveness all impacts were monetised, however, impacts which were difficult to quantify such as innovation and security of supply benefits form part of the qualitative assessment in IAs.
The results below are based on information from final IAs published from April 2008 until 31 March 2010. The data show that between September 2009 (when the last analysis was made) and March 2010, the total stock of carbon savings from new policies increased from 193.8 to 1009.9 $MtCO_2e$. However, the overall percentage of new policies whose carbon savings were achieved below the benchmark cost fell from 99.4% to 30.0%.
<table>
<tr><th>Date of analysis</th><th>Emission savings below carbon valuation, Mt CO_2e</th><th>Emission savings above carbon valuation, Mt CO_2e</th><th>Total emission savings, Mt CO_2e</th><th>Percentage of total emission savings below carbon valuation</th></tr>
<tr><td>September 2009</td><td>192.7</td><td>1.1</td><td>193.8</td><td>99.4%</td></tr>
<tr><td>March 2010</td><td>303.1</td><td>706.1</td><td>1009.9</td><td>30.0%</td></tr>
</table>
DECC compiled the information used to measure trends in this indicator from impact assessments which were completed and published on Departmental websites (BIS is responsible for collating all Government policy impact assessments).
</td>
<td>DECC</td>
</tr>
</table>

1

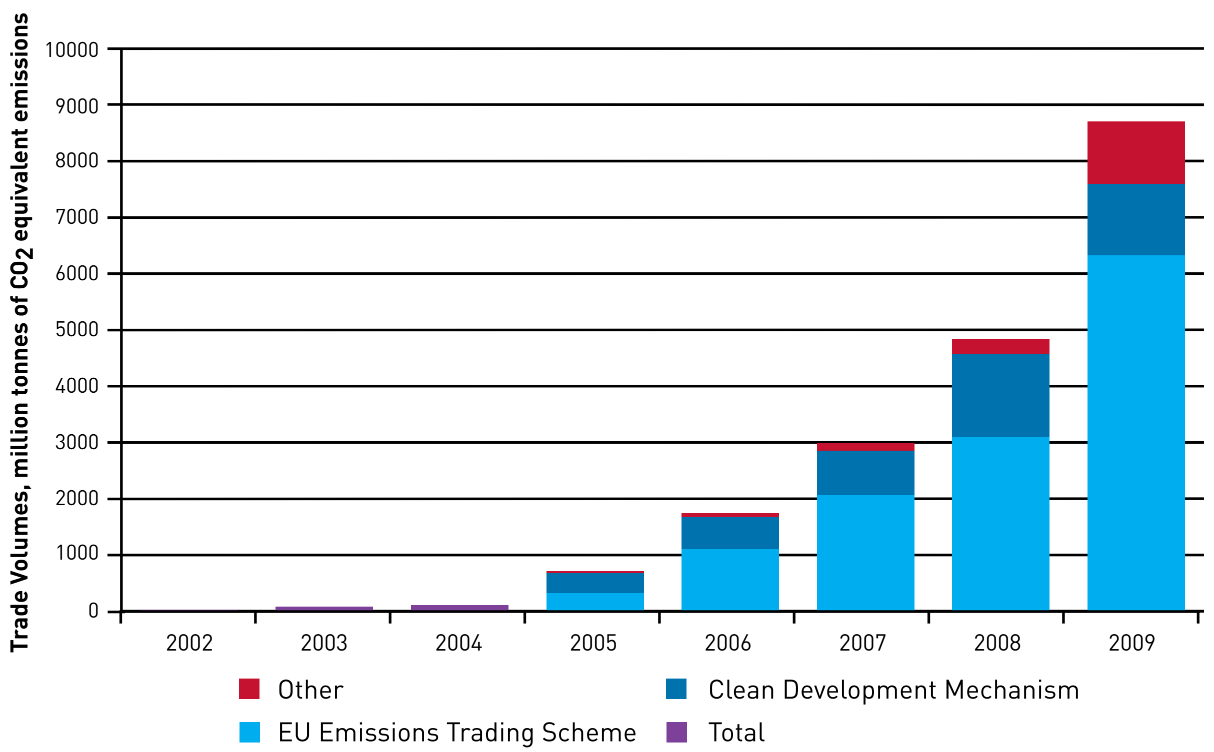
1 DECC's Autumn Performance Report 2009 contains details of the benchmarks used to assess cost effectiveness: http://www.decc.gov.uk/en/content/cms/publications/annual_reports/autumn2009/autumn2009.aspx

Figure A.1: Global CO_2 emissions from fuel combustion, actual and forecast



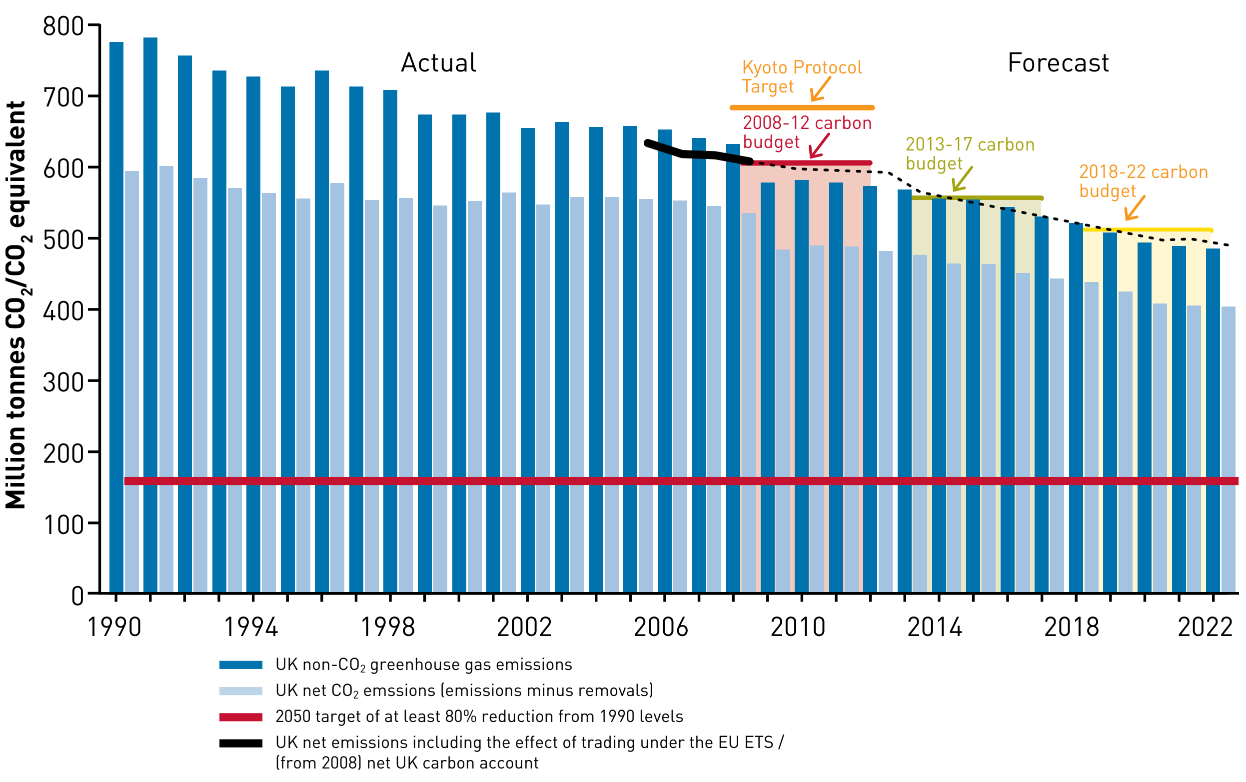
Data source: Based on data from International Energy Agency

Figure A.2: Global emissions trading (Mt CO_2e)



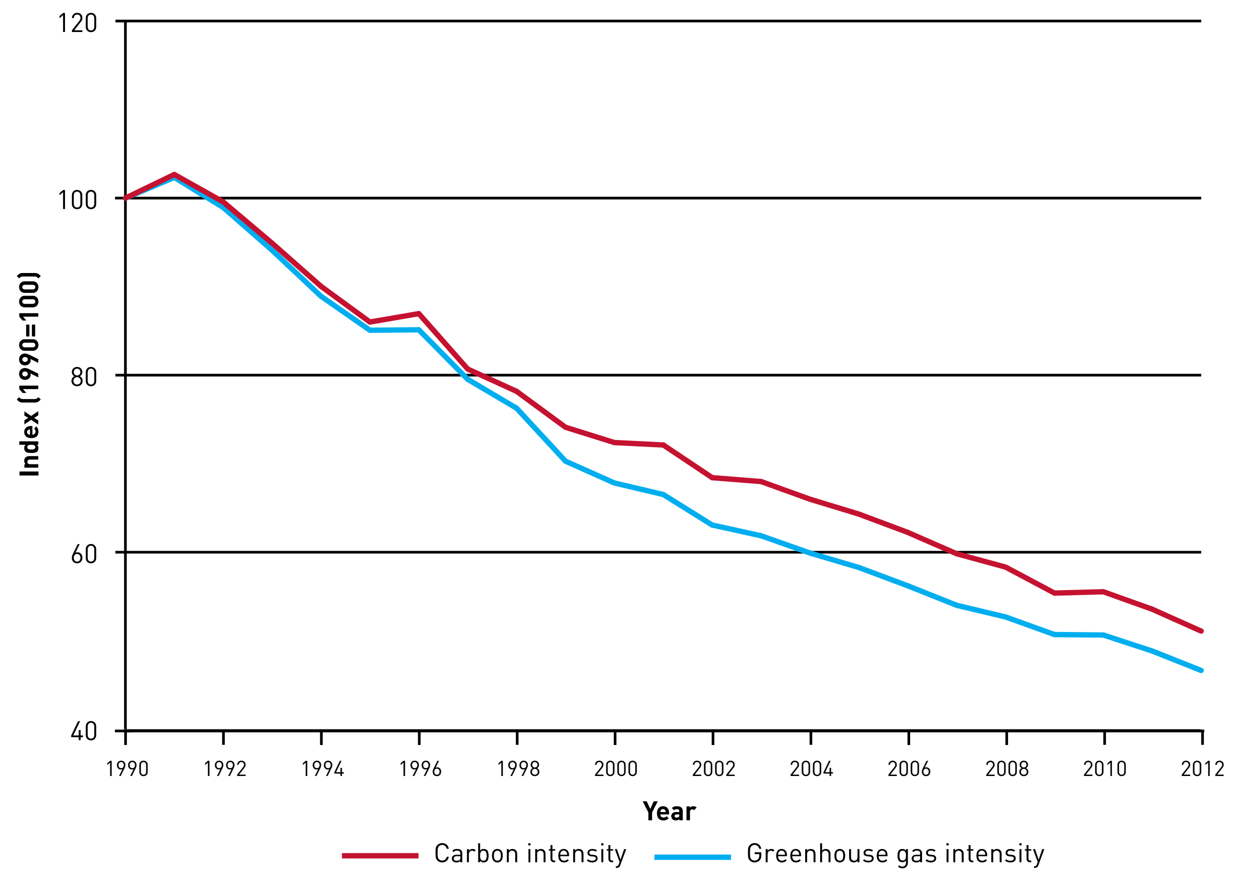
Data source: World Bank – State and Trends of the Carbon Market

Figure A.3: UK Greenhouse gas and CO_2 emissions, actual and forecast (1990–2025)



Data source: UK National Greenhouse Gas Inventory

Figure A.4: Greenhouse gas and carbon intensity



Data source: Emissions from UK National Greenhouse Gas Inventory. GDP figures from HM Treasury

Performance report on Departmental Strategic Objectives

During the 2009–10 financial year, DECC had seven Departmental Strategic Objectives (DSOs). The following tables detail the DSO developments during this period.

DSO1: Secure global commitments which prevent dangerous climate change

Indicator	Data statement	Departmental lead on indicator
1- Global CO_2 emissions to 2050	This indicator is the same as indicator 1 for PSA 27. Please see the performance report on PSA 27 for details.	DECC
2- Size of the global carbon market	This indicator is the same as indicator 3 for PSA 27. Please see the performance report on PSA 27 for details	DECC
3- Milestones towards a post-2012 international agreement	Indicator 1 on global CO_2 emissions by 2050 was a very long term measure of success. To capture earlier progress towards a global agreement to tackle dangerous climate change, a proxy indicator was developed which allowed DECC to measure progress based on a number of process strands and milestones towards a post 2012 agreement in the UNFCCC negotiations. A full list of these strands and milestones are set out on pages 62 to 64 of the Department's Annual Report 2008–09[2]. The 2009 report recorded the first four strands as complete. Progress against remaining strands is set out below: **Milestone 5: To develop, maintain and implement country engagement strategies** Complete. The UK engaged in an intensive programme of bilateral engagement with other countries during 2009. **Milestone 6: To ensure that the EU proposal for the final deal reflects UK ambition** Complete. This milestone was relevant to the European Councils in March and June 2009 which prepared the EU position for Copenhagen. **Milestone 7: To achieve an ambitious, comprehensive global deal at Copenhagen** **Additional milestone: To achieve ambitious agreement for finance and technology packages at Copenhagen.** These milestones were not met in full because a comprehensive global agreement was not reached at Copenhagen. **Additional strand by mid 2011: to ensure that the World Bank and multilateral Development Bank's Clean Energy Investment Framework delivers clean energy investments of up to $117.7bn.** Complete. This was a process based indicator and subject to qualitative assessment of progress by DECC's International Climate Change Directorate. Progress was based on expert judgement and reviewed by the PSA27 Board (DASH Board) and the DECC Management Board. Further detail on these milestones was outlined in a number of publications, including the Road to Copenhagen Document[3]	DECC

2 http://www.decc.gov.uk/en/content/cms/publications/annual_reports/annual_reports.aspx
3 http://www.decc.gov.uk/en/content/cms/what_we_do/change_energy/tackling_clima/copenhagen/copenhagen.aspx

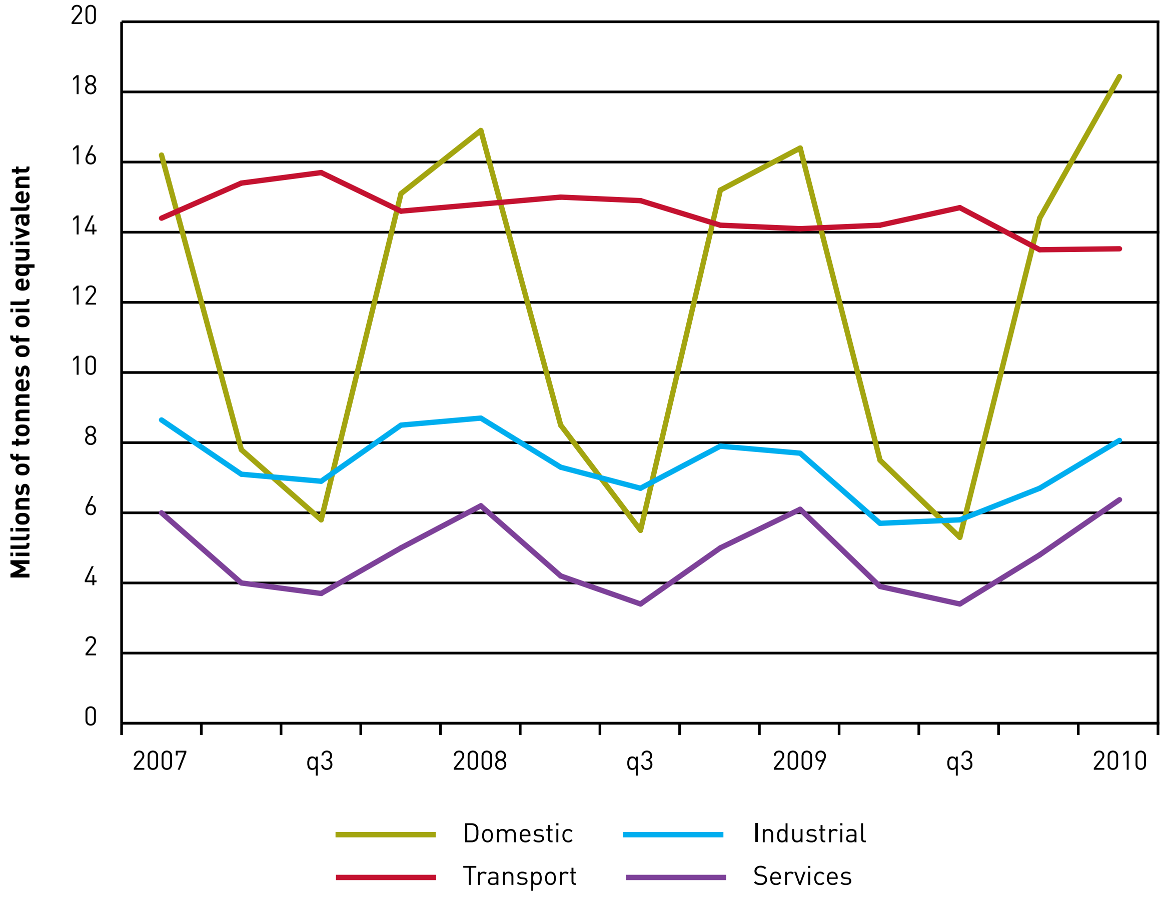
DSO2: Reduce greenhouse gasses in the UK

<table>
<tr><th>Indicator</th><th>Data statement</th><th>Departmental lead on indicator</th></tr>
<tr><td>1. Total UK greenhouse gas and CO_2 emissions</td><td>This indicator is the same as indicator 4 for PSA 27. Please see the performance report on PSA 27 for details.</td><td>DECC</td></tr>
<tr><td>2. Carbon intensity of electricity generation</td><td>Provisional 2009 figures (final figures available in March 2011) indicate that the carbon intensity of electricity generated in the UK had fallen 34.5% from the 1990 baseline. In 2009, 442.2 g of carbon dioxide were emitted per kWh of electricity generated compared to 487.5 gCO_2/kWh in 2008 and 675.1 gCO_2/kWh in 1990.
<table>
<tr><th>Year</th><th>Electricity generated (index)</th><th>CO_2 emissions (index)</th><th>CO_2 emitted per unit of electricity generated (index)</th><th>CO_2 emitted per unit of electricity generated (gCO_2/KWh)</th></tr>
<tr><td>1990</td><td>100</td><td>100</td><td>100</td><td>675.1</td></tr>
<tr><td>2008</td><td>117.3</td><td>84.7</td><td>72.2</td><td>487.5</td></tr>
<tr><td>2009</td><td>112.3</td><td>73.6</td><td>65.5</td><td>442.2</td></tr>
</table>
This indicator was derived by dividing annual CO_2 emissions from power stations in the UK by the total amount of electricity generated.
The data used covered major power producers in the UK and looked at CO_2 emissions only (which account for 99% of emissions from power stations). The data were supplied from the UK GHGI (see PSA indicator 4) and the annual Digest of UK Energy Statistics (DUKES)[4] for electricity generated. The electricity generated data was compiled by aggregating returns from the annual DECC inquiry sent to each generating company. </td><td>DECC</td></tr>
</table>

4 http://www.decc.gov.uk/en/content/cms/statistics/publications/dukes/dukes.aspx

Indicator	Data statement	Departmental lead on indicator
3. UK energy consumption and fossil fuel dependency	**3a) UK energy consumption:** In 2009 provisional estimates suggested there were decreases in energy consumption compared to 2008 in all the major sectors of the economy. Energy use in the industrial sector fell by 13.7%, with consumption in the service sector down by 9.1%. There were smaller falls of 3.7% in transport and 4.5% in the domestic sector. **3b) UK fossil fuel dependency:** In 2009 compared to 2008, fossil fuel dependency was provisionally estimated to have decreased from 91.5% to 89.1%, as nuclear plants returned to production. There was also an increase in electricity generation from wind. These data came from *DUKES* which is collected, analysed and published by DECC on an annual basis. *DUKES* data are certified as National Statistics, which provides assurances over the quality of the data.	DECC
4. Proportion of emissions from new policies below the shadow price of carbon	This indicator is the same as indicator 6 for PSA 27. Please see the performance report on PSA 27 for details.	DECC
5. Proportion of energy consumed from renewable sources	Energy from renewables grew from 2.4% in 2008 to 3% in 2009. 2009 figures for electricity suggest that 6.6% of UK electricity was generated by renewable sources compared to 5.5% in 2008. Wind is the largest contributor; In 2009 2.3% of electricity was generated by wind compared to 1.8% in 2008. At the end of 2008 there was 3.4GW of wind capacity installed with a further 0.8 GW coming online during 2009/10. The data source for this indicator is from the June 2010 edition of 'Energy Trends' available on the DECC web page, of the 2009 edition of *DUKES.* This indicator formed the monitoring mechanism to show the UK's progress under the EU Renewables Directive 2008 (measured annually), and is measured using the statistical definitions set down in the directive.	DECC

Figure A.5: Final energy consumption by sector



Data source: DECC Energy Trends

DSO3: Ensure secure energy supplies

Indicator	Data statement	Departmental lead on indicator
1. Number of serious disruptions to energy supply	There were no serious disruptions to energy supplies in the year from April 2009 to March 2010. However, there were some disruptions to power supplies which fell below the definition of 'serious' in the Electricity Safety, Quality and Continuity Regulations. Under the Electricity Safety, Quality and Continuity Regulations, electricity companies have a statutory duty to report to DECC within 24 hours of any serious incidents. Serious disruptions means: **Electricity**: Loss of power supplies to more than 300,000 customers for more than 18 hours. **Gas**: Loss of supply to more than 50,000 supply points for more than 2 weeks. **Road fuel**: Loss of more than 10% of national supply for more than 3 days.	DECC

<table>
<tr><th>Indicator</th><th>Data statement</th><th>Departmental lead on indicator</th></tr>
<tr><td>2. Confidence in future security of supply based on a suite of ten indicators reflecting different elements of projected security of supply of electricity, gas and oil, including spare capacity, diversity and reliability</td><td>
The indicator was based on a set of ten sub-indicators reflecting different elements of projected security of supply for electricity, gas and oil. Outlined below are the interpretations made by DECC experts of the key indicators for the financial year 2009–10:
Electricity:

The projected de-rated electricity generation capacity margin peaks in 2012 and then falls with the central scenario remaining above 10% to 2020.
Electricity generation in the UK will be increasingly dependent on gas by 2020, though renewables will provide more diversity.
The profile for plant age becomes more evenly distributed over time. By 2015 there is a greater proportion of new plant, but also a greater proportion of very old plant.

Gas:

The UK has sufficient gas import and production capacity to meet demand and is not overly dependent on a single gas supply route. The gas capacity margin is increasing despite declining domestic production.
The UK's ability to meet demand, based on indigenous production and infrastructure which is either existing or currently under construction, was likely to increase by 2012–13. This was because new medium-range gas storage and liquefied natural gas infrastructure was expected to come online. By 2017–18, however, it was considered that there is a decrease in the UK's ability to meet demand from indigenous production and existing and currently under construction infrastructure, as UK production continued to decline.
19.8 billion cubic metres of gas storage were being built or were proposed, though Great Britain was still highly dependent on the Rough storage facility for long range storage (over three weeks).

During 2009–10, four indicators were also added to reflect the importance of oil:

Spare global crude oil production capacity.
Diversity of global crude oil supplies and UK imports.
Diversity of petroleum product imports.
Downstream oil resilience.

The IEA's 2009 projections of spare oil capacity are noticeably higher than its 2008 projections, due to the impact of the global recession. Global spare capacity gives an indication of how tight the oil market is.
See figures A.7 to A.10. These charts use different data sources and are not directly comparable. While the 'Diversity' chart reflects DECC's projection of new generation capacity, the 'Age of Generating Fleet' chart represents data on existing plant, plant under construction, plant with planning consent and confirmed plant closures.
</td><td>DECC</td></tr>
</table>

Indicator	Data statement	Departmental lead on indicator
	The sub-indicators were assessed by expert judgment in DECC's Energy Markets and Infrastructure Group and reviewed by the DECC Management Board on a bi-monthly basis. The data were are largely sourced from the National Grid (whose data have been validated through consultation with industry) and the DECC Energy Model (which has been validated externally).	
3. Industrial gas and electricity prices compared to EU-15 median	Latest estimated data for the period from July to December 2009 showed that UK electricity prices were generally below the EU15 median level, apart from the prices for the largest industrial consumers. Over the same period, UK gas prices remained below the EU-15 median level. Both UK and EU 15 prices have fallen compared to the previous period (January 2009–June 2009). **See figure A.11.** The gas prices compared were for small, medium and large consumers as defined by EU band sizes I2, I3 and I4. The electricity prices compared were for small, medium and large consumers as defined by EU size bands IB, IC and IE as specified in Council Directive 90/377/EEC.3. The data were estimated by national statistical officers who conducted price transparency surveys in accordance with the Directive, and published on DECC's website as *Quarterly Energy Prices*. This DSO indicator is similar to but does not replicate BIS's PSA indicator 6.4, "Competitively-priced energy".	DECC
4. Absence of significant nuclear safety related incidents	This is the same as DSO6, indicator 5. Please see the performance report on DSO6 below for details.	DECC

Figure A.6: Projected electricity Generation capacity margin

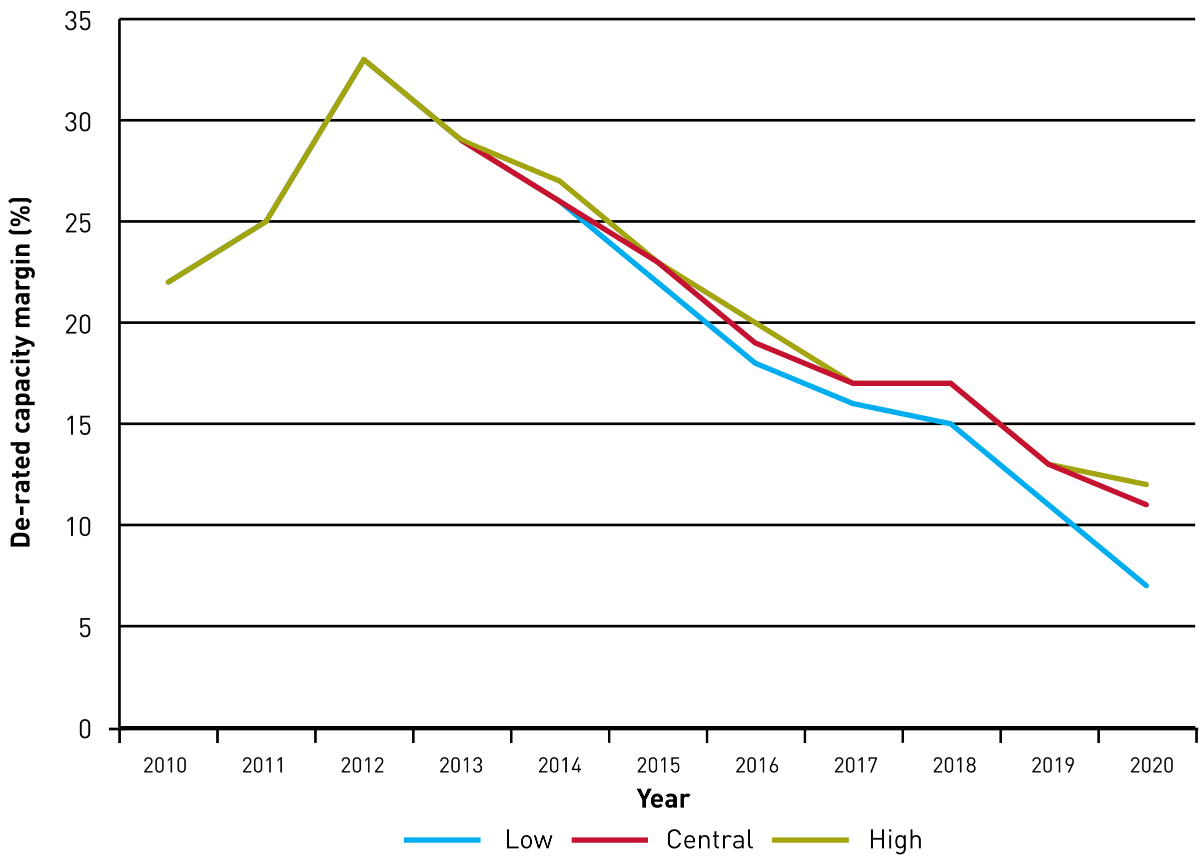


Figure A.7: E2 Diversity of electricity generation capacity

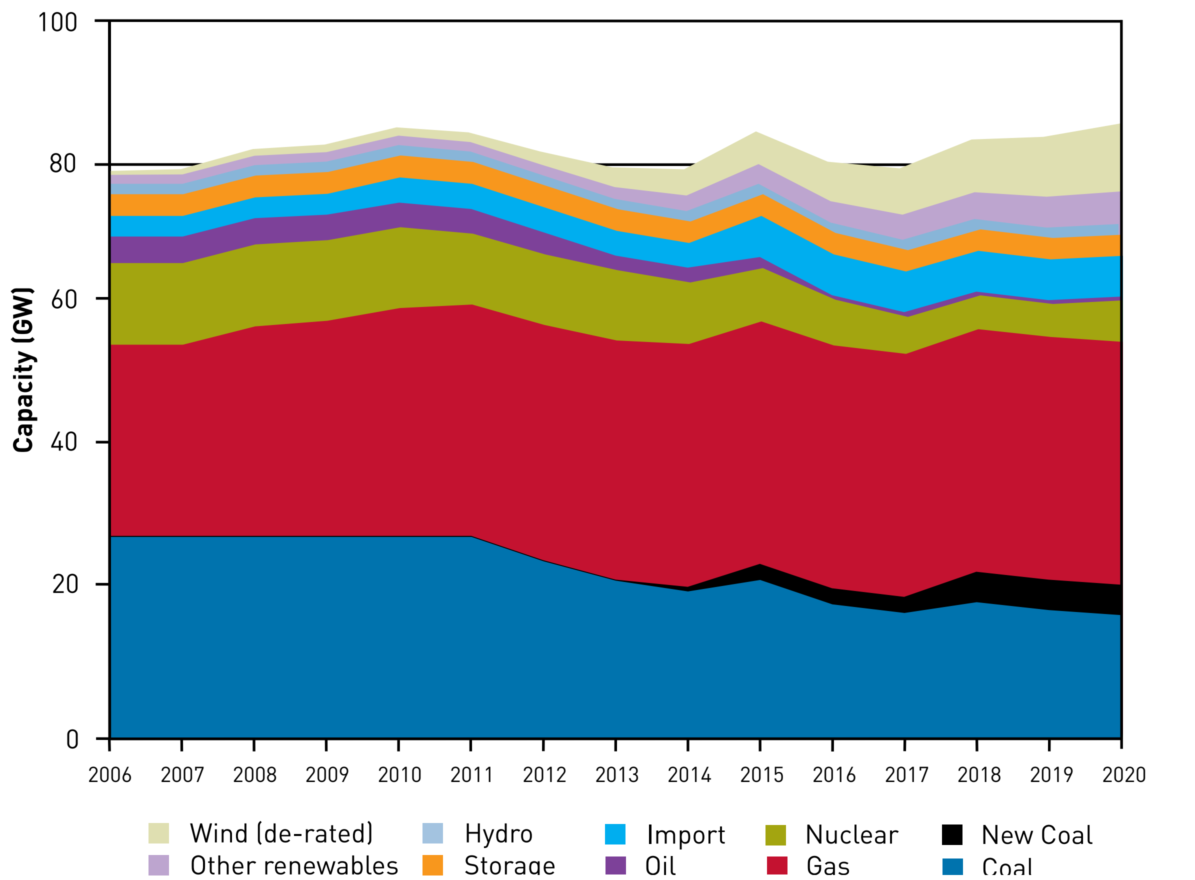


Figure A.8: Reliability – age of generation capacity

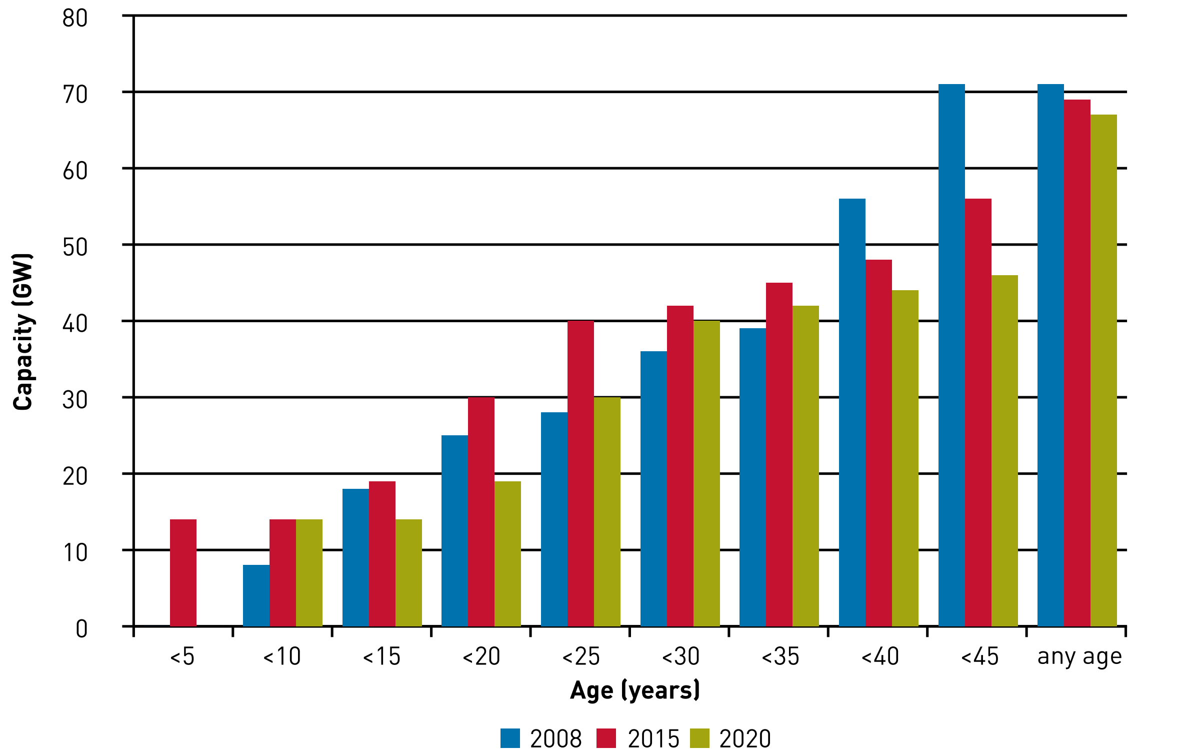


Figure A.9: GB peak daily winter gas demand and supply capacity

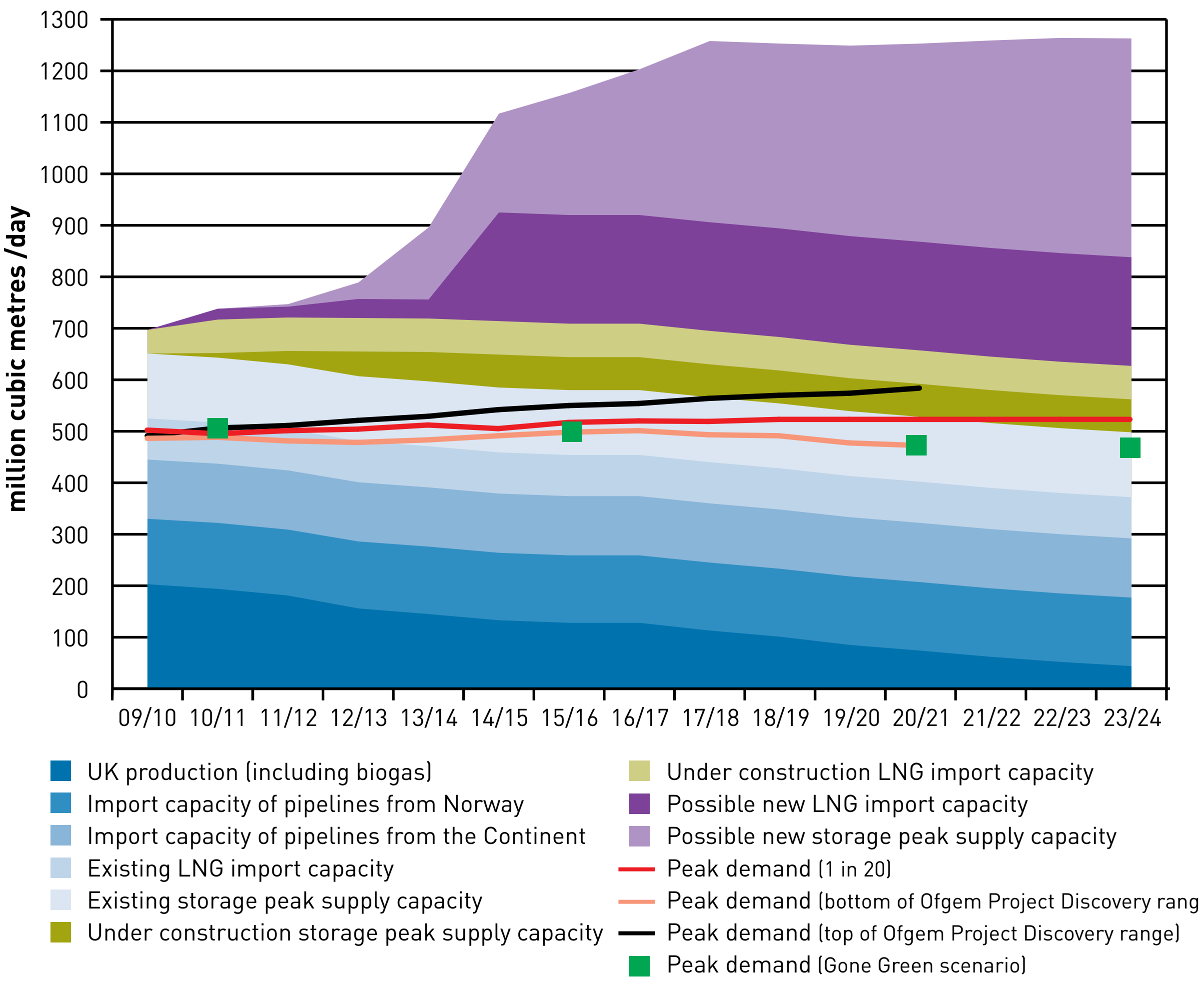


Figure A.10: Global spare oil production capacity

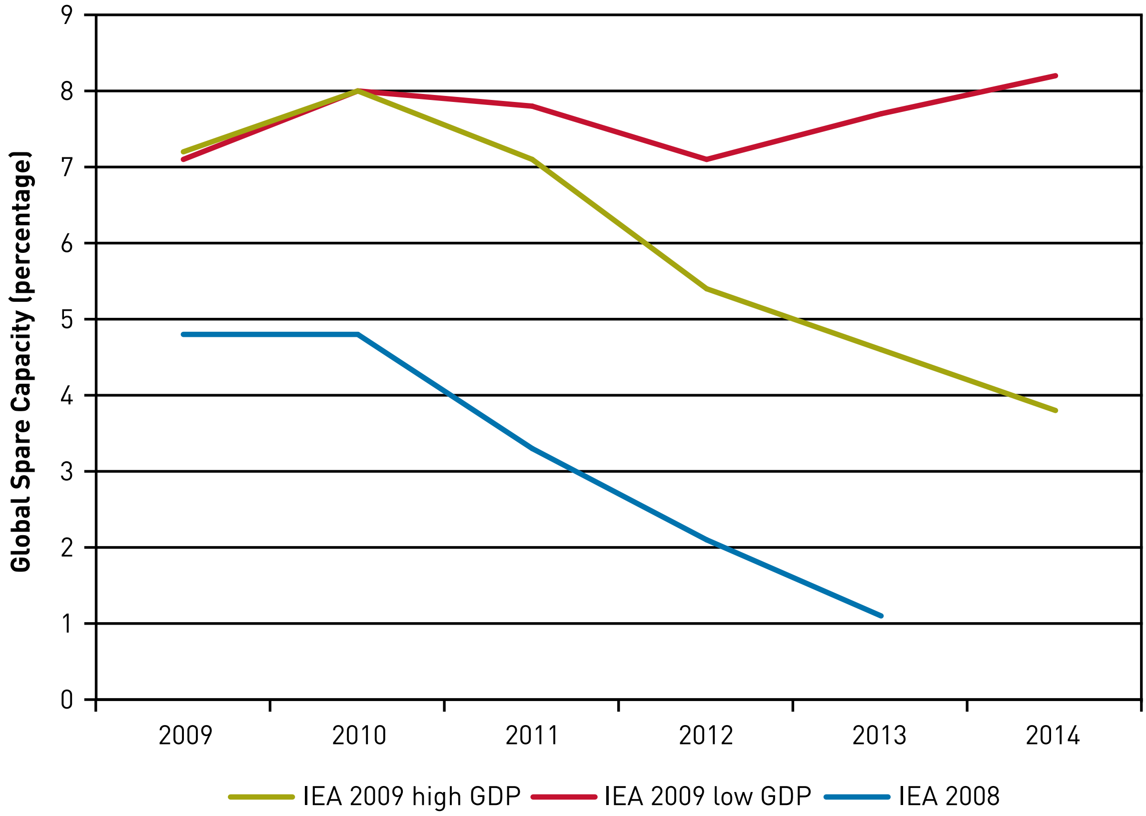
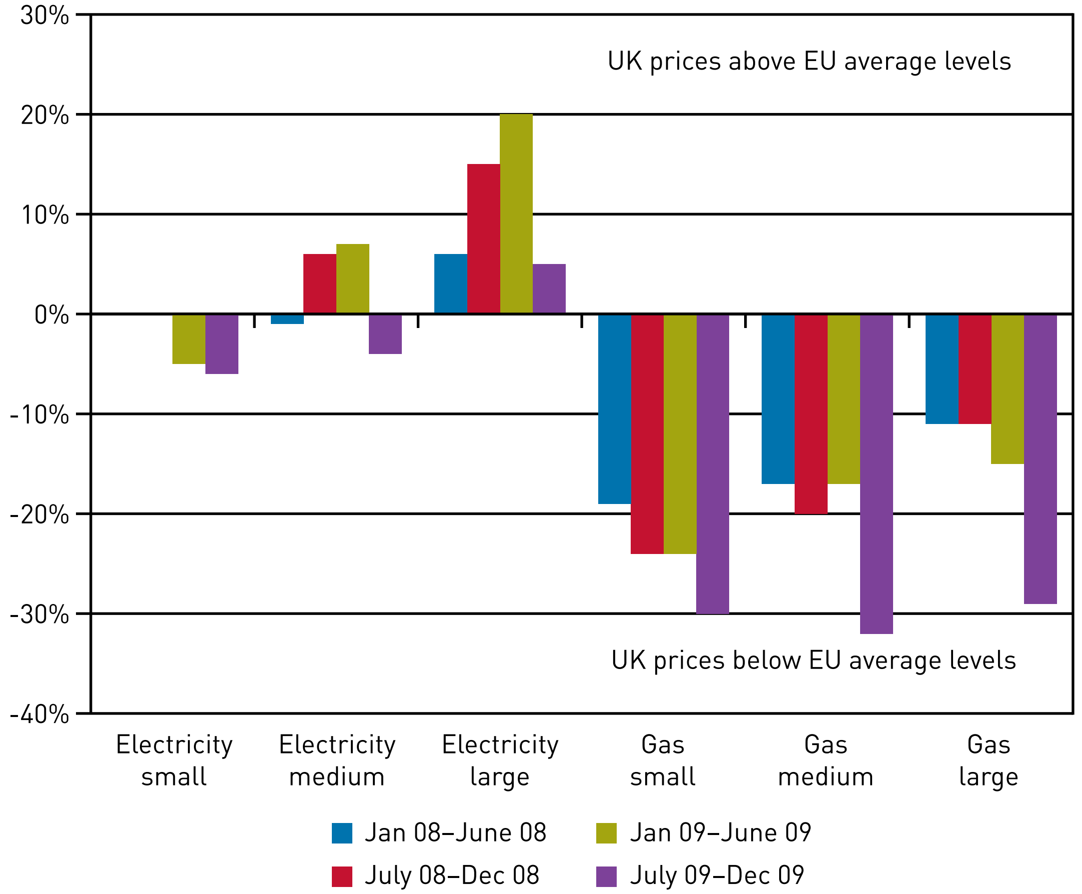


Figure A.11: UK gas and electricity prices relative to EU-15 median



Data source: DECC estimates based on Eurostat data

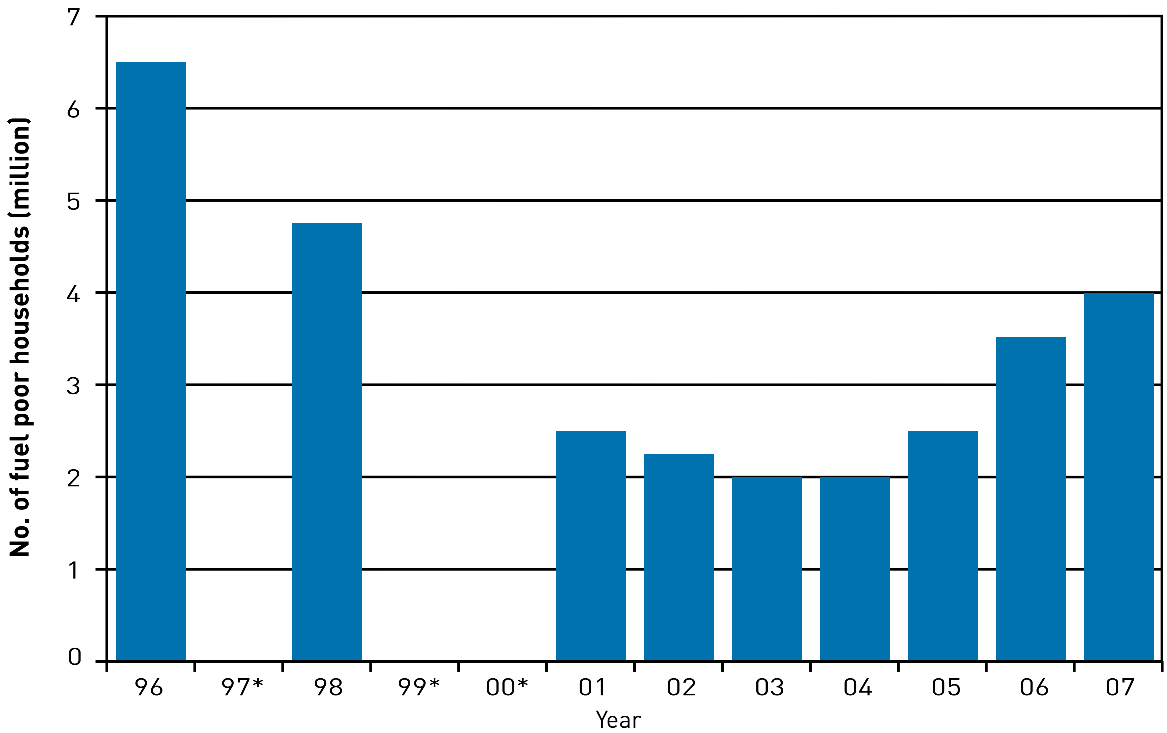
DSO4: Promote fairness through our climate and energy policies at home and abroad

Indicator	Data statement	Departmental lead on indicator
1. Number of households needing to spend more than 10% of income on fuel to keep warm	A household was deemed to be in fuel poverty if it needed to spend more than 10% of its income on fuel to maintain an adequate level of warmth (usually 21°C for the main living area and 18°C for other occupied rooms). Between 1996 and 2004 the total number of UK households in fuel poverty fell from around 6.5m to around 2m. Subsequently, as fuel prices rose faster than incomes, this increased by 2m households to 4m (2.8m in England) in 2007, the period for which latest figures are available. The figures for the UK are derived by extrapolation from figures for England. Figures for England were calculated from two data streams – the English Household Survey, which was undertaken by the Department of Communities and Local Government, and fuel prices which were collected from individual fuel suppliers. Data streams were supplied by the Building Research Establishment who took a sample of 8000 households and calculated the proportion of households in fuel poverty. The Fuel Poverty Methodology Group reviewed the methodology to ensure that an appropriate sample was selected and the inputs used were appropriate. Further detail on these data is in the 'Annual Report on Fuel Poverty Statistics 2009'[5].	DECC
2. "Fairness of a deal" for residential energy consumers	Progress was measured on a suite of three sub-indicators designed to give an indication of how the markets were delivering for customers. These reflected different elements of the market: data on customer switching, which indicated customer engagement with the competitive markets; a measure of market concentration (the Herfindahl-Hirschman Index); and data on customer complaints, indicating levels of customer satisfaction. **Switching Rates** The data for 2010 (**see Figure A.13**) relate to the first quarter only. They indicate a continued fall from the peak in switching rates in 2008. **Market Concentration** The Herfindahl-Hirschman index is used to measure of the size of energy firms in relation to the energy industry and an indicator of the competition among them. The combined gas and electricity market concentration rate index fell from 4,300 in 2008 to 4,200 in 2009, demonstrating a decrease in market concentration. See **Figure A.14** **Customer Complaints** The processes to collate and analyse data on customer complaints are still being developed. Data are provided by Ofgem and republished by DECC in *Quarterly Energy Prices*, with data for market concentration taken from the DECC domestic fuels inquiry.	DECC

5 http://www.decc.gov.uk/assets/decc/Statistics/fuelpoverty/1_20091020153241_e_@@_annualreportfuelpovertystats2009.pdf

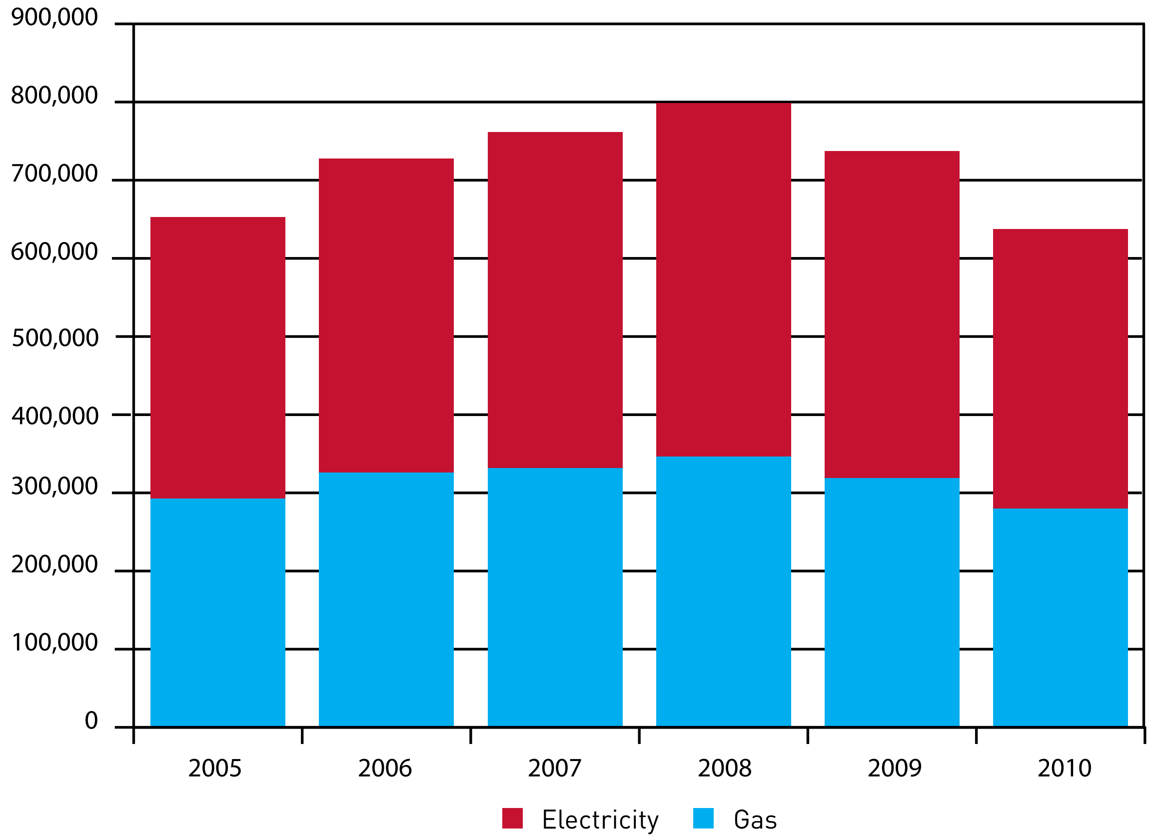
Indicator	Data statement	Departmental lead on indicator
3. Proportion of emissions reductions from new policies below the shadow Price of Carbon	This indicator is the same as indicator 6 for PSA 27. Please see the performance report on PSA 27 for details.	DECC

Figure A.12: Number of households in fuel poverty in the UK, 1996-2007



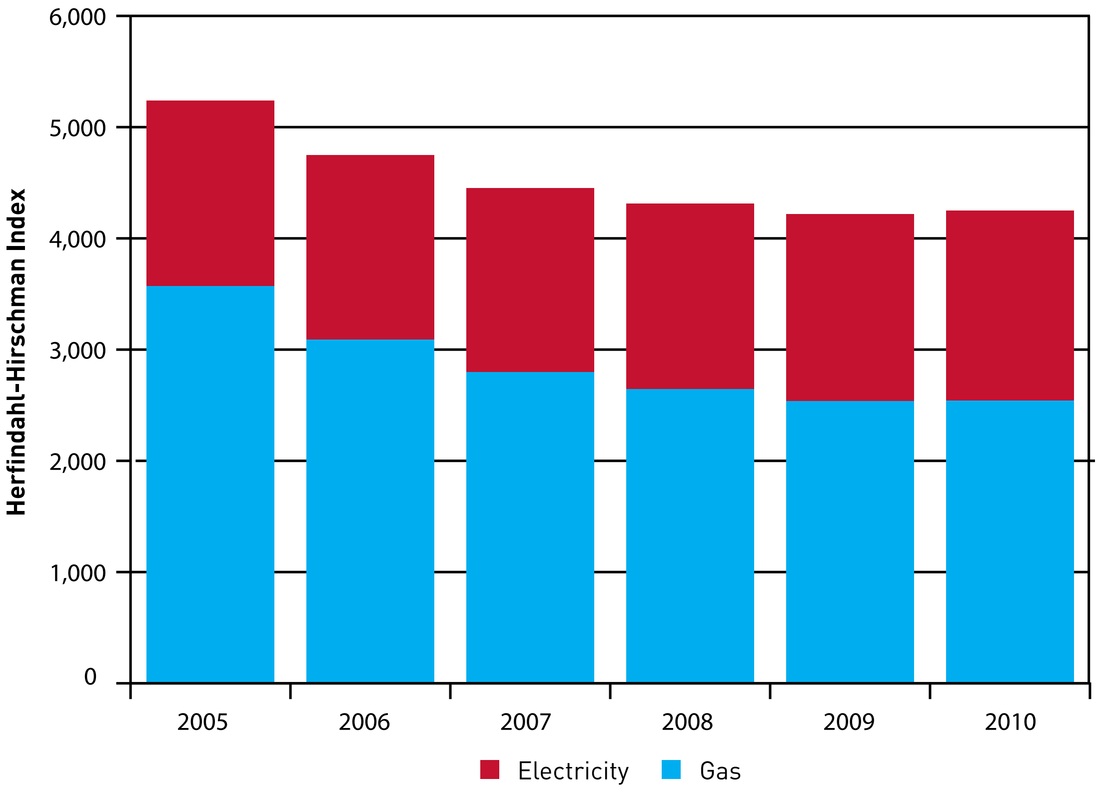
*Figures not calculated for these years
Data for Wales and Northern Ireland estimated for 2007

Figure A.13: Average monthly customer switches for electricity and gas



Note: 2010 data relate to quarter one only.
Source: DECC energy statistics

Figure A.14: Concentration rates

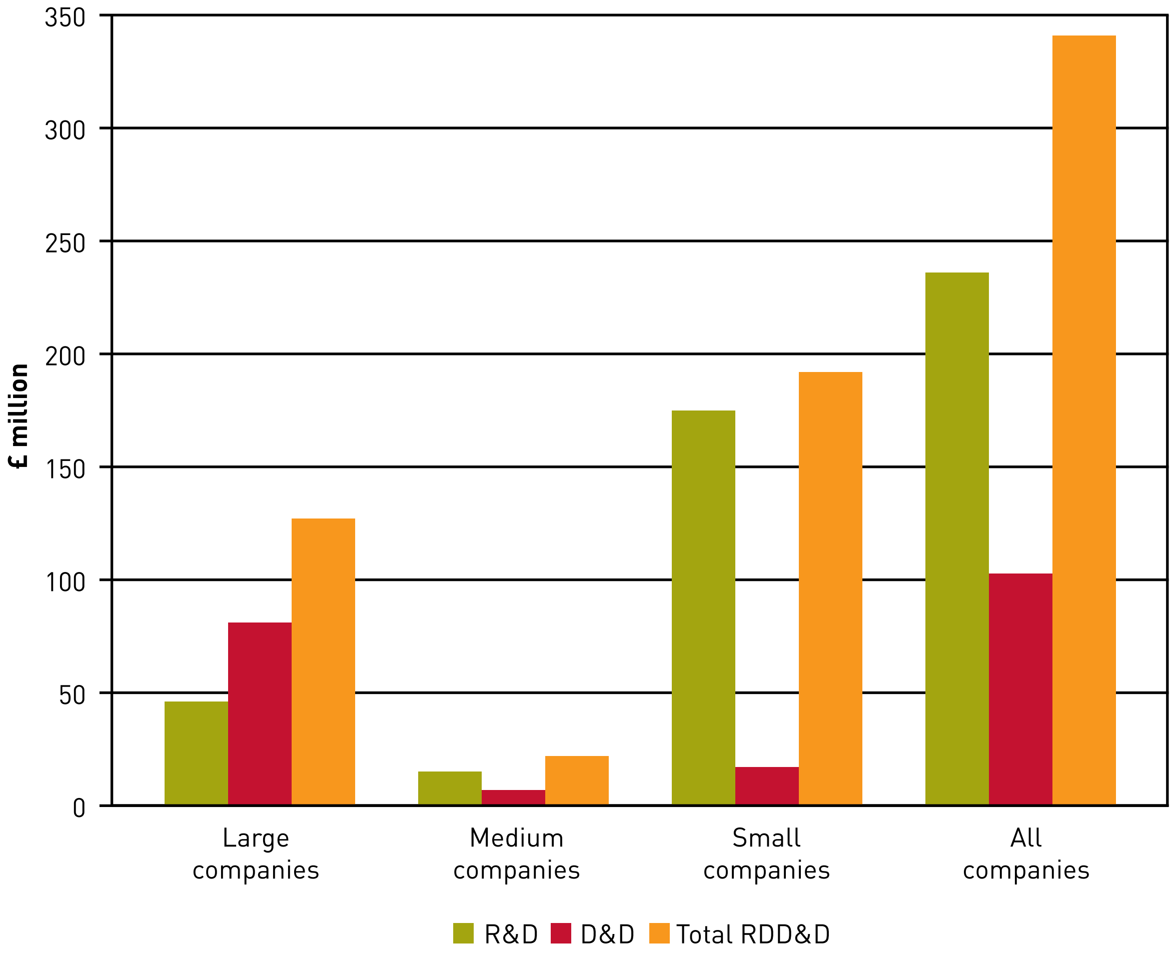


Note: 2010 data relate to quarter one only.
Source: DECC energy statistics

DSO5: Ensure the UK benefits from the business and opportunities of a low carbon future

Indicator	Data statement	Departmental lead on indicator
1. Greenhouse gas intensity of the UK economy, illustrated by divergence of GDP and UK greenhouse gas emissions	This indicator is the same as indicator 5 for PSA 27. Please see the performance report on PSA 27 for details.	DECC
2. Level of investment in innovation (early stage R&D or later stage D&D) within the low carbon sector	The first DECC/Office for National Statistics (ONS) *Survey of Low Carbon Innovation* was conducted in May 2009 and covered 2008, when £341m was spent by UK companies on low carbon research and development and later stage demonstration and deployment. Private sector funding levels are hard to measure accurately and we have limited historical data. Small companies accounted for the majority of total research and development (R&D) spend (£236m) while large companies accounted for the majority of total design and development (D&D) spend (£104m). The main focus of low carbon research, development, demonstration and deployment effort by UK companies is on lowering energy consumption, followed by renewable energy. See **figure A.15**. These are base-year data and the response rate from companies was 50%. These data, therefore, only give an indication of investment levels and care will need to be taken if they are compared with data with a different level of response.	DECC

Figure A.15: Level of investment by UK companies on low carbon RDD&D (2008)



Source: DECC / ONS Survey of Research and Development Activity to Reduce Greenhouse Emissions, 2008

DSO6: Manage energy liabilities effectively and safely

Indicator	Data statement	Departmental lead on indicator
1. Reduction in UK civil nuclear liabilities at least in line with agreed and published Nuclear Decommissioning Authority (NDA) business plans	The NDA was created specifically to oversee the decommissioning of nuclear sites. The NDA business plan set out a number of programme and project milestones (lower level metrics) that relate to the completion of specific site activities and covers the total scheduled performance by the Site Licensed Company (SLC). In 2009–10 the NDA achieved 85% of the lower level metrics. The *NDA Annual Report and Statement of Accounts* can be accessed from the following link: www.nda.gov.uk	DECC
2. Delivering value for money savings on costs equivalent to at least 3% per annum averaged over the three-year CSR period from 2008–09	In 2009–10, the NDA delivered a minimum validated efficiency saving contribution of £93.6m (3.9%). The indicator was tracked using the Cost Performance Index (CPI) and relied on an annual assessment backed up by forecasting of the subsequent end of year performance. Data were supplied by the NDA and the Shareholder Executive.	DECC
3. Reduction of the risk associated with high hazards by progressively mitigating hazards and ensuring radioactive waste continues to be put into a passively safe form	As with indicator 1, with which there is some overlap, lower level metrics were identified as a measure of achievement. These related to: completion of specific site programme and project milestones which are tied to hazard reduction levels such as active liquor volume reductions and the return to the country of origin of high level, vitrified waste product arising from legacy reprocessing; progress on retrieving and immobilising intermediate level wastes; and overall hazard risk reduction in line with the UK national plan. 85% of the lower level metrics were completed in 2009–10. The NDA *Annual Report and Statement of Accounts* can be accessed from the following link: www.nda.gov.uk	DECC
4. Progress on completion of the COPD Coal Health Compensation scheme	This indicator measured the number of claims processed by the Chronic Obstructive Pulmonary Disease (COPD) Health Compensation Scheme. Four years ago there were 592,000 claims registered. As of 11 April 2010 there were around 450 active claims remaining, of which fewer than 130 claims have yet to receive a first-time offer of compensation. Data on progress on completion of COPD claims and outstanding COPD claims are reported by Capita and assessed by the Coal Liabilities Unit in DECC.	DECC
5. Absence of significant nuclear safety related incidents	No "significant safety incidents" (International Nuclear Events Scale (INES) Level 1 or 2) resulting in actual consequences to people or facilities were reported between April 2009 and March 2010. However, a failure to follow safety procedures at the Dungeness B facility on 29 June 2009 was considered serious enough to warrant an INES 2 rating. Because of the hierarchy of safety procedures in place, there were no environmental or safety effects as a result of the non-compliance.	DECC

DSO7: Develop the Departments capability, delivery systems and relationships so that we serve the public effectively

Indicator	Data statement	Departmental lead on indicator
1- Stakeholder opinion of DECC	Ipsos Mori conducted the Department's first quantitative survey of 250 stakeholders in March 2010. Respondents were asked the question, "How favourably or unfavourably do you regard DECC?" 72% responded as either favourable or very favourable.	DECC
2- Consumer experience of DECC's public facing householder policies	**Warm Front** In April 2010, the scheme's independent quality assurers, WYG, reported that 91% of customers were willing to recommend the scheme during the period October 2009 – March 2010. This had improved from 90% for the period March to October 2009 and from 84% for the period October 2008 to March 2009. **Energy Savings Trust (EST)** The EST scored 82% on the customer satisfaction rate for 2009–10. This increased from 76% in 2007-08 and 79% in 2008–09. The assessment is carried out by the EST and reported quarterly to DECC. This information is not audited by DECC.	DECC
3- Progress in accurately reporting consumer mechanisms for national accounts and departmental reporting	A review of the application of financial reporting standards and the Government Financial Reporting Manual to the reporting of consumer mechanisms in resource accounts was completed in September 2009. HM Treasury's consultation with relevant Departments on budgeting guidance regarding consumer mechanisms took place in October 2009.	DECC

CSR07 efficiency programme

The CSR07 efficiency programme was a CSR07 commitment to an overall target across Government of £35bn efficiency savings for that spending review period (2007–08 to 2010–11).

DECC overall target for 2007-08 to 2010-11	£279m
DECC latest known outturn as at 31/03/2010	£190m
SR04 over-delivery allowed (inherited from Defra)	£4m

Annex 3

Outstanding Public Accounts Committee recommendations

Twenty Second Report – The sale of the Government's interest in British Energy	
PAC Conclusion (1): The Department received a good price as it sold the Government's interest in British Energy when energy prices were at a peak. The sale increased the value of the Nuclear Liabilities Fund to £8.3 billion, more than double the estimated cost of decommissioning British Energy's existing power stations, which the Fund is responsible for meeting. However, there were some weaknesses, which the following recommendations are designed to address.	**DECC has accepted the PAC's recommendation and will take account of the lessons learned when planning future sales.**
PAC Conclusion (2): The Department has no guarantee that EDF will build new nuclear power stations without public subsidy, which could have potentially serious implications for future energy security. The Department should, as a matter of urgency, complete and publish the result of its work with the Treasury to determine whether the market as it is currently configured will deliver the new generating capacity needed to avoid an energy shortage. It should also develop contingency plans showing how energy demands will be met if EDF does not proceed with its plans to build new nuclear power stations.	**DECC accepts the need to do more to bring forward other forms of electricity generation if no developers are willing to build new nuclear power stations. DECC and HM Treasury have published the initial findings of their Energy Market Assessment.**

Twenty Second Report – The sale of the Government's interest in British Energy	
PAC Conclusion (3): The Department does not know how much nuclear generating capacity will be required to meet future energy needs. The Department should develop a more systematic approach to assessing how and when new generating capacity will be delivered, and consult with Infrastructure UK on its approach.	**DECC accepts the PAC's recommendation. The draft National Policy Statement will be revised and updated and put before Parliament for approval.**
PAC Conclusion (4): The Shareholder Executive and the Department demonstrated scant regard for the potentially adverse impacts of the sale on competition in electricity markets. The Department should closely monitor the operation of the electricity market to determine whether the sale contributes to future price increases, and should be prepared to intervene should this risk materialise. In future sales, departments should set out how they are addressing the risk of adverse impacts on competition from selling Government shareholdings.	**DECC partially accepts this. It is the responsibility of the independent competition authorities to scrutinise the implication of mergers for effective competition. DECC naturally also closely monitors the operation of the electricity market.**
PAC Conclusion (5): Treasury guidelines required all the sale proceeds to be invested in the National Loans Fund, which carries a lower risk of capital losses than equity investments but, in the longer term, may offer lower returns. The Treasury should carry out a cost-benefit analysis of the investment policy it has set for the Nuclear Liabilities Fund to assess whether a more balanced investment portfolio would be likely to provide a better balance of risk and return.	**HM Treasury responded to this conclusion.**

Twenty Second Report – The sale of the Government's interest in British Energy	
PAC Conclusion (6): The failure by the Department and the Shareholder Executive to carry out a timely risk assessment indicates a systemic weakness in their approach to monitoring and managing risk, a weakness that persists despite recommendations in this Committee's three previous reports on British Energy that risk management should be strengthened. The Department should carry out systematic and timely risk assessments in sales of strategically important assets, particularly where there are residual liabilities that could fall to taxpayers. It should also set out each year in its Annual Report how it has monitored British Energy, and the results. In future asset sales emerging from the Operational Efficiency Programme, Departments should allocate clear responsibilities for managing all the risks associated with these sales.	**DECC accepts the PAC's recommendation. DECC and the Shareholder Executive have set in place monitoring arrangements for the risks for the tax-payer in British Energy's operations.**
PAC Conclusion (7): The Shareholder Executive is supposed to bring its own financial and commercial expertise to bear on deals of this type, but it still considered it necessary to hire UBS at a cost of £4 million to assist with negotiations and the valuation of British Energy. In future sales, the Shareholder Executive should seek to make full use of the skills it already possesses and avoid placing undue reliance on costly external advisors.	**DECC partially accepts the PAC's recommendation; the Shareholder Executive uses its own expertise in order to avoid undue reliance on external advisors. However it would not be cost effective to employ sufficient specialist skills to carry out a sale as complex as that of British Energy.**
PAC Conclusion (8): The Shareholder Executive approved a £4 million success fee for financial advice that significantly under-estimated what EDF was willing to pay for British Energy and did not reflect the judgement of the other main shareholders. Departments should require financial advisors to take into account the views of the other main shareholders and the value to the buyer. In future sales, departments should also ask prospective advisors to propose alternative fee structures, such as separate prices that reward more directly the work done, rather than opting for a blanket success fee that may not, in practice, reflect their performance.	**DECC accepts the PAC's recommendation. Prospective advisors will be asked to propose alternative fee structures that more directly reward work done.**

Thirty-ninth Report – The Warm Front Scheme	
PAC Conclusion (1): The lack of clarity over whether the Warm Front Scheme is primarily aimed at improving the energy efficiency of homes or at reducing fuel poverty is detrimental to achieving best value for money from the funding available. Between June 2005 and March 2008, £34 million was paid to households whose properties were already energy efficient and £15.4 million was spent on measures which have limited impact on overall energy efficiency, and are also unlikely on their own to lift households out of fuel poverty. The Department should clarify the primary focus of the Scheme and consider whether minor energy efficiency measures could be better delivered through other programmes, allowing the Scheme to focus on relieving fuel poverty.	**DECC disagrees that there is a lack of clarity over the aims of Warm Front. The Scheme is not just aiming to bring households out of fuel poverty wherever possible, but also to take action to prevent those on low incomes falling into fuel poverty in the future.**
PAC Conclusion (2): Nearly 75% of households assisted by the Scheme are not in fuel poverty, and the Scheme is only available to 35% of households most likely to be 'fuel poor'. In reviewing the eligibility criteria in 2009, the Department should consider excluding those households where a property is already energy efficient, and determine if there is scope to improve targeting to enable more of those in fuel poverty to be reached by the Scheme.	**DECC agrees that there is a need to look at opportunities to improve the targeting of the Scheme. As part of the Fuel Poverty review, DECC will consider whether the eligibility criteria for the Scheme still represents the best means of targeting assistance or whether targeting could be more effective.**
PAC Conclusion (3): Data suggests 28% of those in fuel poverty live in rural areas but only 15% of households assisted were from such areas. Rural properties are often harder to treat as they may be off the gas network and be older properties with solid walls which are more difficult to insulate. The Department should publish the results of their pilot tests of alternative technologies for hard to treat homes and where appropriate, the planned date when such technologies may be available through the Scheme.	**DECC acknowledges that there are specific difficulties in assisting rural households off the gas network and with solid walls. The Scheme is currently piloting low carbon and renewable alternative technologies including 125 solar thermal systems and 200 Air Source Heat Pump systems and assessing their suitability for rural households.**

Thirty-ninth Report – The Warm Front Scheme	
PAC Conclusion (4): Many customers are happy with the improvements to their heating systems but are unhappy at the state in which their property may be left after the work. The Scheme does not cover the cost of making good, for example, damaged plasterwork and boxing in of pipes. The Department and eaga plc should test alternative methods to clarify customers' understanding of the work which will be funded, for example by using computer generated images of how the property will look once work is complete. The Department should estimate the impact of including such works within the Scheme where they can be accommodated within the grant maxima, and consider whether better targeting of the Scheme, as suggested above, might allow funding of such work to be included where appropriate.	**DECC agrees that customer satisfaction should be a high priority in delivery of the Scheme. As part of the re-negotiated contract with eaga plc there are more stringent quality controls in place, including more demanding standards required from both installers and eaga plc, in order to improve customer service.**
PAC Conclusion (5): In 2007–08, one in four applicants was required to make a contribution to the works done under the Scheme because the costs exceeded the grant maxima, and over 6,000 households, possibly those most in need of assistance, withdrew as a result. In 2005–06, fewer than 1 in 10 applicants were required to make a contribution. The grant maxima were unchanged between July 2005 and April 2009 but labour and other costs rose by between 7% and 9% over the period. The Department should monitor whether the level of customer contribution (numbers and amounts) is reasonable to enable the Scheme to meet the objective of easing fuel poverty, as well as the reasons for applicants' withdrawal. It should use the data to inform ongoing Scheme design and revision.	**DECC agrees that the grant maxima needed to be reviewed due to the high levels of customer contributions. DECC has increased the maximum grants limits in April 2009 from £2,700 to £3,500 (or from £4,000 to £6,000 where oil or new low carbon alternative technologies have been recommended in properties off the main gas grid).**

Thirty-ninth Report – The Warm Front Scheme	
PAC Conclusion (6): Some customers consider that they could obtain the work required more cheaply and effectively from local contractors rather than those commissioned by eaga plc, although the National Audit Office report found that overall the amounts charged appeared competitive. In reviewing its contractual arrangements with eaga plc, the Department should determine whether the specifications for heating measures can be made more flexible in order to reduce costs without undermining reliability, safety and efficiency, and whether there is an opportunity to obtain efficiencies in labour and other costs. The Department should determine the feasibility of allowing customers who are required to make a contribution to the work, the scope to obtain quotations from accredited companies in their area as a check on the prices quoted by the Scheme's contractors.	**DECC agrees that that it is important to deliver measures in the most cost effective way, without undermining reliability, safety, efficiency and quality. In July 09 DECC renegotiated its contract with eaga plc, opening the Scheme up to greater competition improving value for money.**
PAC Conclusion (7): The failure by the Department for Environment, Food and Rural Affairs to put in place adequate contract procurement and management processes from the start for the contract with eaga plc led to a lack of clarity over some key terms in the contract which took some two years to resolve. The Department should put in place experienced procurement staff to negotiate and manage future contracts for the Scheme and other major projects.	**DECC agrees that major contracts must be effectively managed and has both renegotiated the contract with eaga and recruited an experienced full-time contract manager to ensure defined governance arrangements and greater clarity around all associated costs and charges.**

Annex 4

Complaints to the Parliamentary Ombudsman

Between 3 October 2008 (when DECC was created) and 31 March 2009, the Parliamentary Ombudsman accepted for investigation one complaint against DECC and resolved and reported on one separate complaint, which was partially upheld. Both of these complaints concerned the Warm Front scheme.

Anyone who has a complaint about the way in which DECC operates or about something the Department has or has not done should contact the member of staff they have already been dealing with. They can do this via telephone, by email, in writing or they might be able to see that member of staff in person. If the complainant feels that this is not the right way to resolve their complaint because they have already tried and are dissatisfied with the outcome, they should make a formal complaint to the Head of Team they have been dealing with, who will provide a full written response within 15 working days.

If a complainant remains dissatisfied with the Head of Team's response they can write to our independent complaints' adjudicator who will investigate the complaint and reply to the complainant within 15 working days. If the complainant is dissatisfied with the Complaints Adjudicator's response, they can write to their MP who will refer the complaint to the Parliamentary and Health Service Ombudsman.

Annex 5

Delivery Partners

This Annex lists our formal partners during the 2009–10 financial year. This 'DECC family' consisted of a number of non-departmental public bodies (NDPBs) and other delivery partners.

DECC is committed to making appointments in its delivery partners based on merit. Public appointments to the boards of our NDPBs and agencies are made by Ministers in accordance with the Code of Practice of the Office of the Commissioner for Public Appointments[1]

Executive non-departmental public bodies	
Civil Nuclear Police Authority	www.cnpa.police.uk
Coal Authority	www.coal.gov.uk
Committee on Climate Change	www.theccc.org.uk
Nuclear Decommissioning Authority	www.nda.gov.uk

Advisory non-departmental public bodies	
Advisory Committee on Carbon Abatement Technologies	http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/emerging_tech/carbon_abate/carbon_abate.aspx
Committee on Radioactive Waste Management	www.corwm.org.uk
Fuel Poverty Advisory Group	http://www.decc.gov.uk/en/content/cms/what_we_do/consumers/fuel_poverty/fpag/fpag.aspx
Nuclear Liabilities Financing Assurance Board	http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/nuclear/new/waste_costs/nlfab/nlfab.aspx
Renewables Advisory Board	www.renewables-advisory-board.org.uk
UK Chemical Weapons Convention National Authority Advisory Committee	http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/nuclear/nonprolif/chemical_bio/cwc_uk_auth/cwc_uk_auth.aspx

1 See http://www.publicappointmentscommissioner.org/Code_of_Practice/

During the 2009–10 financial year, DECC was also associated with a number of other bodies:

Sponsored partners	
Carbon Trust	www.carbontrust.co.uk
Energy Saving Trust	www.energysavingtrust.co.uk
National Non-Food Crops Centre	www.nnfcc.co.uk

Central Government Organisations	
Nuclear Liabilities Fund	No website available

Non-Ministerial Departments	
Ofgem	www.ofgem.gov.uk

Public Corporations	
British Energy Group Plc	www.british-energy.com[2]

Ad-hoc groups	
Pilot Task Force for Oil and Gas	www.pilottaskforce.co.uk
UK Coal Forum	http://www.decc.gov.uk/en/content/cms/what_we_do/uk_supply/energy_mix/coal/uk_forum/uk_forum.aspx

Executive NDPBs publish their own annual report and accounts, which provide full information on targets and performance of the organisation, as well as financial information. These can be obtained from their websites or The Stationery Office. DECC's resource accounts show the money the Department has provided to Executive NDPBs as grant in aid.

Relationship between the Department and delivery partners

Each NDPB is overseen by a sponsor team within DECC, which agrees the NDPB's remit and monitors performance. The sponsor teams work with the NDPBs, providing support for their high level aims and challenge to ensure adherence to rules of regularity and propriety and for the purpose of budgetary control.

2 British Energy Group was sold in January 2009. The Department retains special shares in the Group as set out in the Resource Accounts section of this report.

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